# REPORT

ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENT ACT

DURING THE

FISCAL YEAR 1954-55

To His Excellency,

The Right Honourable Vincent Massey, C.H.,

Governor General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreement Act during the fiscal year 1954-55.

All of which is respectfully submitted.

W. E. Harris,

Minister of Finance.

Ottawa, May 9, 1955.

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE INTERNATIONAL MONETARY FUND
APRIL 1, 1954 - MARCH 31, 1955

General Summary

In the year ending March 31, 1955, Indonesia and and Haiti became members of the International Bank for Reconstruction and Development and the International Monetary Fund. On December 31, 1954, Czechoslovakia ceased to be a member of both institutions. At the end of the year there were fifty-six members of the Bank and Fund compared with fifty-five on April 1, 1954.

During the period, the International Bank made seventeen loans for development purposes in fourteen countries totalling $302.6 million. This was the largest amount of lending for development in any similar twelve month period since the Bank's inception. As of March 31, 1955, the amount of all loans made by the Bank was $2,168.9 million, of which $1,594.2 million had been disbursed. During the year, the Bank borrowed the equivalent of $122.5 million in five countries of which two bond issues, one for Can. $25 million and one for Can. $15 million, were offered in Canada.

A significant feature of the Bank's operations during the year was the growing interest of private investors in purchasing parts of the Bank's loans both through sales from the Bank's portfolio and through the increasing purchases of early maturities of new loans. For the first time, insurance companies as well as banks were purchasers of the obligations of the Bank's borrowers. Another new development was a Bank loan to Belgium in conjunction with substantial private borrowing by Belgium in the New York market.

During the twelve months to the end of March 1955, the balance of payments position of most member countries of the Fund was reasonably satisfactory and drawings on the Fund resources amounted to only U.S. $71.25 million compared with U.S. $208.8 million in the previous period. The year was marked by the repayment in gold or dollars of considerable amounts of currencies purchased by member countries in earlier years -- repurchases by twelve member countries amounting to the equivalent of $280.2 million. Since March 1, 1947, when the Fund announced its readiness to begin exchange transactions, total sales of currencies by the Fund, including Belgian francs, deutsche marks, sterling and U.S. dollars, have amounted to the equivalent of U.S. $1,197.7 million. Of this amount, U.S. $685.6 million has been repaid in gold or U.S. dollars and the equivalent of U.S. $203.1 million has been repaid through purchases by other members of the currencies of members who had previously drawn on the Fund. Canada has made no currency purchases from the Fund.

During the period, no change was announced in the Fund's policy on the use of its resources, described in the last report to Parliament. Standby arrangements remain in effect with Belgium, Peru and Mexico. These are arrangements whereby a member is assured that upon request, and unless it

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General Summary

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During the twelve months to the end of March 1955, the balance of payments position of most member countries of the Fund was reasonably satisfactory and drawings on the Fund resources amounted to only U.S. $[illegible] million compared with U.S. $[illegible] million in the prior 12-month period. The year was marked by the repurchase in gold or dollars of considerable amounts of currencies purchased by member countries in earlier years or contributions of twelve member countries amounting to the equivalent of U.S. $[illegible] million. Since March 1, 1947, when the Fund commenced its operations in exchange transactions, total sales of currencies by the Fund, [illegible], amounted to the equivalent of U.S. $1,[illegible] million. Of this amount, U.S. $[illegible] million has been repaid in gold or U.S. dollars and the equivalent of U.S. $[illegible] million has been repaid through purchases by other members of the currencies of members who had previously drawn on the Fund. Canada has made no currency purchases from the Fund.

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has been declared ineligible, it will be permitted during a fixed time period to purchase currencies from the Fund up to a stated amount, without further examination of its economic position. During the year, the stand-by arrangement with Mexico was extended for twelve months until October 15, 1955. This extension required the granting of a waiver pursuant to the Articles of Agreement of the normal limitation on annual drawings by a member.

At the end of 1954, the schedule of charges on drawings from the Fund was reviewed by the Executive Board. It was decided that no change should be made and the existing charges should remain in effect until December 31, 1955.

In the twelve months under review, the Fund continued its annual consultations with member countries maintaining restrictions on current payments and transfers in accordance with the transitional arrangements provided for in Article XIV of the Articles of Agreement. The annual consutltations on the retention of exchange restrictions provide an opportunity for the Fund to review with the member concerned its economic position and outlook, its need for continued use of exchange restrictions and the prospects for their relaxation and elimination.

The Fund was consulted during the year by Belgium-Luxembourg, the Netherlands, Brazil, Chile, China (Taiwan), Colombia, Greece, Iceland, Iran, Mexico, Nicaragua, Paraguay, the Philippines, Thailand, and Yugoslavia about changes in their respective exchange systems or the par value of their currencies. In addition to dealing with normal business of the Fund, the Executive Directors and the staff gave special attention during the year to the study of questions arising in connection with the approach of countries to fuller convertibility. The Fund also inaugurated a study of bilateralism in relation to convertibility.

Canadian Representation in the Bank and Fund.

On July 22, 1954, the Honorable Walter E. Harris, Minister of Finance became Canadian Governor of both the Bank and Fund in succession to the Honorable D. C. Abbott. Mr. G. F. Towers continued as Alternate Governor of the Fund until his retirement from the Bank of Canada, when he was replaced as Alternate Governor by Mr. J. E. Coyne, the new Governor of the Bank of Canada. Mr. A.F.W. Plumptre was appointed Alternate Governor of the Bank in succession to Mr. J.J. Deutsch. At the Fifth Regular Election of Executive Directors, held during the Annual Meeting in September 1955, Mr. Louis Rasminsky was re-elected as Executive Director for Canada to both institutions. On May 1, 1954, Mr. G. Neil Perry was succeeded as Alternate Executive Director for Canada of the Bank and Fund by Mr. J.H. Warren who was re-appointed as Mr. Rasminsky's Alternate on the latter's re-election.

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## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

### Membership

In the course of the year, Indonesia and Israel became members of the Bank, subscribing to 1,100 and 45 shares of capital stock, with a value of $110.0 million and $4.5 million respectively.

Czechoslovakia ceased to be a member of the Bank as from December 31, 1954. Pursuant to a Resolution adopted by the Board of Governors at their Eighth Annual Meeting in September 1953, Czechoslovakia had been suspended from membership in the Bank on December 31, 1953, because of failure to pay the balance of $625,000 due on its capital subscription. Under the Articles of Agreement, in the absence of remedial action, Czechoslovakia ceased to be a member one year from the date of its suspension. The Bank now has fifty-six members and a total subscribed capital of $9,028 million. At the Ninth Annual Meeting in September 1954, the Board of Governors approved the applications of Korea and Afghanistan for membership in the Bank. Both countries have until September 30, 1955, to accept membership.

### Lending Operations

During the period April 1, 1954, through March 31, 1955, the Bank made 17 loans in 14 countries totalling $302.6 million. This total compares with lending of $278.5 million in the previous twelve months. The amount of all loans made to March 31, 1955, was $2,168.9 million, of which $1,594.2 million had been disbursed. The following table shows the loans made during the year. Interest rates include the 1% commission which, under its Articles of Agreement, the Bank must charge on all its loans. Where loans were not made directly to member governments, such governments guaranteed the loans made in their territory.

| Member Country | Principal Amount (in millions) (U.S.$) | Date of Agreement | Final Maturity | Interest Rate 1/ | Purpose |
|---|---|---|---|---|---|
| Australia | $54.5 | 18 Mar. 55 | 15 Mar.70 | 4-5/8% | Import of Equipment to further Economic Development |
| Austria | 12.0 | 19 Jul. 54 | 15 Jul.79 | 4-3/4% | Development of Hydro-electric Power |
| Belgium | 20.0 | 14 Dec. 54 | 15 Aug.69 | 4-5/8% | Port and Waterways |
| Ceylon | 19.11 | 9 Jul. 54 | 15 Jul.79 | 4-3/4% | Power (Aberdeen Laksapana) |
| Colombia | 5.0 | 29 Dec. 54 | 15 Nov.61 | 4-1/4% | Agricultural Machinery |
| Colombia | 4.5 | 24 Mar. 55 | 15 Jan.75 | 4-3/4% | Development of hydro-electric power |
| East Africa (U.K.) | 24.0 | 15 Mar. 55 | 15 Jul.74 | 4-3/4% | Increasing capacity and efficiency of transport & harbour facilities |
| El Salvador | 11.1 | 12 Oct. 54 | 15 Oct.66 | 4-1/2% | Coastal Highway |
| Finland | 12.0 | 24 Mar. 55 | 15 Apr.70 | 4-5/8% | Woodworking and electric power industry |
| Fr.W. Africa (France) | 7.5 | 10 June 54 | 1 June66 | 4-1/2% | Railways in French West Africa |
| India | 16.2 | 19 Nov. 54 | 15 Oct.74 | 4-3/4% | Power (Trombay) |
| India | 10.0 | 14 Mar. 55 | 1 Jul.69 | 4-5/8% | Import of material and equipment, and for services needed for carrying out private industrial projects |
| Mexico | 61.0 | 24 Aug. 54 | 1 Dec.69 | 4-5/8% | Rehabilitiation of railroad |
| Norway | 25.0 | 8 Apr. 54 | 15 Apr.74 | 4-3/4% | Economic development |
| Pakistan | £5.0 ($14.0) | 2 June 54 | 1 Aug.74 | 4-3/4% | Natural gas transmission |
| Peru | 1.7 | 12 Apr. 54 | 15 Jul.61 | 4-1/4% | Agricultural machinery |
| Peru | 5.0 | 12 Nov. 54 | 1 Feb.63 | 4-1/4% | Agricultrual credits |

1/ Includes 1% commission

Earnings and Reserves

The net earnings of the Bank in the twelve months ended March 31, 1955, amounted to approximately $23.9 million all of which was credited to the Supplemental Reserve against Losses on Loans and Guarantees. In addition, the Bank added $13.1 million to the Special Reserve during the period. On March 31, 1955, the Supplemental Reserve amounted to $115.4 million and the Special Reserve totalled $58.9 million.

Additional Funds Available for Lending from Capital Subscriptions

Since April 1, 1954, Austria, Belgium, Denmark, Germany, Italy, Luxembourg, Netherlands, South Africa, and United Kingdom have agreed, subject to varying conditions, to the release of amounts totalling the equivalent of approximately $37 million from their 18% local currency capital subscriptions for disbursement on loans.

Sale and Redemption of Securities

The new bond issues which were offered by the Bank during the period April 1, 1954, to March 31, 1955, are set forth in Table II.

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TABLE II

Bond Issues Offered by the Bank during period April 1, 1954 to March 31, 1955 (in U.S.$)

| Issue and Maturity | Date of Issue | Principal Outstanding U.S.$ | Annual Sinking Fund Requirements |
|---|---|---|---|
| Payable in Canadian dollars (valued at $1 Can. = $0.909 U.S.) | | | |
| 3-1/2% Fifteen Year Bonds of 1954, due 1969 (Can.$25,000,000) | June 29, 1954 | $22,727,273 | 1959-65 Can. $800,000<br>1966-68 Can. $900,000 |
| 3-1/4% Ten Year Bonds of 1955, due 1965 (Can. $15,000,000) | 1/ | 13,636,364 | 1958-64 Can. $500,000 |
| Payable in Pounds Sterling | | | |
| 3-1/2% Twenty Year Stock of 1954, due 1974 (£5,000,000) | July 29, 1954 | 14,000,000 | 1960-74 £166,700 |
| Payable in Netherlands Guilders | | | |
| 3-1/2% Fifteen Year Bonds of 1954, due 1969 (f40,000,000) | Aug.11, 1954 | 10,526,316 | 1960-69 f4,000,000 |
| Payable in Swiss Francs | | | |
| 3-1/2% Eighteen Year Bonds of 1954, due 1972 (Sw.Fr. 50,000,000) | Apr.15, 1954 | 11,634,671 | None |
| Payable in United States Dollars | | | |
| 2-1/2% Five Year Bonds of 1954, due 1959 | Sept.20,1954 | 50,000,000 | None |
| | GROSS TOTAL | $122,524,624 | |

1/ The Bank entered an agreement, dated March 16, 1955, with a syndicate of investment dealers and banks in Canada for the issuance of 3-1/4% bonds in the aggregate principal amount of Can. $15,000,000. The bonds will be dated April 1, 1955, and will mature April 1, 1965. The bonds were offered on March 21 and are to be delivered against payment on April 19, 1955.

During the period April 1, 1954, to March 31, 1955, the Bank redeemed Can.$1,400,000 principal amount of its Ten Year Canadian Dollar Bonds of 1952 due in 1962. In addition, $10,000,000 of the U.S. dollars 2% Serial Bonds of 1950 and Sw.Fr. 8,500,000 of the 2-1/2% Swiss Franc Serial Bonds of 1950 matured during the year.

The total of the Bank's issues now outstanding is equivalent to $838.0 million, of which $705.0 million is denominated in U.S. dollars (Can.) $38.6 million in Can. dollars, and the remainder in sterling, Netherlands guilders and Swiss francs.

Sales of Bonds from the Bank's Portfolio

During the period April 1, 1954 to March 31, 1955, the Bank sold or agreed to sell to private investors the equivalent of $76.5 million principal amount of loans it had made. This compares with sales of only $24.8 million in the year 1953-54. Of the $76.5 million, $3.4 million was sold with, and $73.1 million without, the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank on March 31, 1955, aggregated $168.1 million, of which $56.4 million had been retired by the borrowers.

The interest of private investors in acquiring part of the Bank's loans has been an outstanding feature of the past twelve months. Increasingly, the Bank has been able to sell the obligations of its borrowers -- and without its guarantee. In addition to purchases from the Bank's loan portfolio, private banks have to a growing extent been taking participations in the Bank's loans at the time they are made -- usually by purchasing the early maturities. And in recent months, insurance companies have begun to purchase loan maturities running up to ten years. A new development during the year was the lending of $20 million to Belgium in conjunction with a $30 million offering of Belgium securities on the New York capital market. In this case, the Bank lent on long term whereas the public offering was of short and medium term securities. It is expected that more of these joint I.B.R.D. and private lending operations will take place in the future. All these developments represent a measure of success in the Bank's efforts to stimulate private international investment.

Technical Assistance

Three economic survey missions were organized during the period under review. A general survey mission to Jordan arrived in Amman late in March 1955, and a mission to Colombia to survey the agricultural economy and make recommendations for a long range agricultural development program arrived in Bogota at about the same time. A small mission went to Cali, Colombia, early in February 1955, to assist the newly-organized Autonomous Regional Corporation of the Cauca to formulate a development program for the Cauca Valley, where extensive projects of flood control, irrigation, hydroelectric power and related improvements are contemplated.

The report "The Economic Development of Nigeria", was transmitted to the Governments of Nigeria and the United Kingdom in September 1954 and published in March 1955. The report "The Economic Development of Syria" was transmitted to the Government of Syria in March 1955 and will be published later in the year. The report of the general survey mission to Malaya was nearing completion at the end of the period under review.

As a result of a recommendation in the report of the general survey mission to Ceylon in 1952, the government organized the Ceylon Institute of Scientific and Industrial Research. The Bank and the United Nations Technical Assistance Administration are jointly providing the services of a Director and a senior assistant for the initial period of the Institute's establishment.

The joint study by the Bank and the Governments of India and Pakistan of possible technical measures to increase the supplies of water available from the Indus River continued during this period and is still in progress.

As in the past, the Bank has provided technical assistance to member countries in various ways not directly related to loan applications. The assignments of special representatives in Nicaragua and Panama, to assist those governments generally in their development activities, were continued. Special representatives with similar roles were sent, at the request of the governments concerned, to Guatemala and Honduras. Bank staff members advised the Government of Ecuador in establishing an economic planning council. As the result of a short visit made to British Honduras in June 1954, a report was submitted with suggestions concerning the development program there. The services of a resident representative and members of the Bank's staff were made available to cooperate with the Government of Mexico in a comprehensive study of Mexico's future requirements for electric power. Staff members were assigned to advise various governments, including Lebanon, Israel, Brazil and Iran on various aspects of economic development. The Bank has assisted a number of member countries in finding suitable candidates for economic, financial and related posts.

The Bank announced on March 11, 1955, the establishment of an Economic Development Institute which will be open to seniour government officials from the Bank's member countries and which will provide intensive seminars on the formulation of development policies and the organization and administration of development programs. The first seminar, of six months' duration, will commence in January 1956.

During the period, the Bank continued to work in cooperation with the United Nations, its other specialized agencies and the U.N. regional economic organizations.

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International Finance Corporation

During the first three months of 1955, the Executive Directors and the Bank staff considered and drew up a draft Charter for the proposed International Finance Corporation. It is intended that this Corporation should be an affiliate of the Bank and undertake certain forms of development financing from which the Bank is precluded by the Articles of Agreement. Thus, the I.F.C. would be able to make loans for private projects without government guarantee. It is not proposed that the I.F.C. should invest in capital stock. But it will in effect provide venture capital, by investing, for example, in securities which would give the Corporation a right to participate in profits and which when sold to private investors would be convertible into capital stock. It is hoped that the I.F.C. will serve as a clearing house to bring together investment opportunities, private capital and experienced management. Its financing would be provided in conjunction with private investors. The initial capital would be subscribed by member governments of the I.B.R.D. The Charter has been sent to Governments for necessary action to bring the Corporation into being.

## INTERNATIONAL MONETARY FUND

Ninth Annual Meeting of the Board of Governors

The Board of Governors, under the chairmanship of M.W. Holtrop, Governor for the Netherlands, held their Ninth Annual Meeting in Washington, D.C., from September 24 through September 29, 1954.

Following the Managing Director's presentation of the Annual Report, the Board discussed the policies and activities of the Fund and exchanged views on international payments developments and prospects, including questions associated with the approach to more general convertibility of currencies.

In addition to taking the actions referred to in the following section of this report with regard to Afghanistan, Czechoslovakia and the Republic of Korea, the Board transacted routine Fund business and held the Fifth Regular Election of Executive Directors, in which Mr. Louis Rasminsky was re-elected Executive Director for Canada.

The Governor for Egypt was elected Chairman of the Board for the ensuing year and the Governors for China, France, India, the United Kingdom and the United States were elected Vice-Chairmen. It was decided that the Tenth Annual Meeting would be held in Istanbul in September 1955.

Membership

On March 10, 1954, the Executive Directors extended the period during which Indonesia could accept membership in the Fund and on April 15, 1954, Indonesia became a member with a quota of $110 million. Isreal became a member of the Fund on July 12, 1954, with a quota of $4.5 million. Terms and conditions for the membership of Afghanistan and the Republic of Korea were approved by the Board of Governors at their Ninth Annual Meeting. These countries have until September 30, 1955, to accept membership.

On September 28, 1954, the Board of Governors considered Czechoslovakia's continued failure to fulfill certain of the obligations of Fund membership and adopted the following Resolution:-

WHEREAS Czechoslovakia has failed to fulfill its obligations under the Articles of Agreement of the International Monetary Fund in that it has failed to supply the Fund with the minimum information required pursuant to Article VIII, Section 5, and has failed to consult with the Fund under the provisions of Article XIV, Section 4;

WHEREAS the Executive Directors, on November 4, 1953, acting pursuant to Article XV, Section 2(a), declared Czechoslovakia ineligible to use the resources of the Fund because of the said failure to fulfill its obligations;

WHEREAS said failure on the part of Czechoslovakia to fulfill its obligations has persisted notwithstanding the declaration of November 4, 1953, that Czechoslovakia is ineligible to use the resources of the Fund; and

WHEREAS the Executive Directors in their Report to the Board of Governors on the above subject dated August 18, 1954, have recommended that pursuant to Article XV, Section 2(b) of the Articles of Agreement, the Board of Governors require Czechoslovakia to withdraw from the Fund effective at the close of business on December 31, 1954, unless the Executive Directors determine that Czechoslovakia shall have, prior to December 31, 1954, supplied the Fund with the information required under Article VIII, Section 5, and entered into consultation with the Fund under the provisions of Article XIV, Section 4.

NOW THEREFORE the Board of Governors hereby

RESOLVES:

That, pursuant to Article XIV, Section 2(b) of the Articles of Agreement of the Fund, Czechoslovakia be, and hereby is, required to withdraw from membership in the Fund, such withdrawal to be effective at the close of business on December 31, 1954; provided, however, that if the Executive Directors determine that Czechoslovakia shall have prior to December 31, 1954, supplied the Fund with the information required under Article VIII, Section 5, and shall have entered into consultation with the Fund under the provisions of Article XV, Section 4, this resolution shall be of no force and effect.

In accordance with this Resolution, Czechoslovakia's withdrawal from membership in the Fund became effective at the close of business on December 31, 1954.

There are now fifty-six members of the Fund and the aggregate of quotas is U.S. $8,728 million.

Use of the Fund's Resources and Other Transactions

On March 31, 1955, the Fund's holdings of currencies and gold were U.S. $8,045.6 million of which U.S. $3,719.68 million were in gold and convertible currencies.

On October 15, 1954, the Executive Board determined that, in accordance with Article IV, Section 6, of the Articles of Agreement, France was again eligible to use the Fund's resources.

During the period April 1, 1954 to March 31, 1955, the Fund's members drew on its resources for a total of U.S. $71.25 million compared with drawings of $208.9 million in the previous year. Between March 1, 1947, when the Fund announced its readiness to begin exchange transactions, and March 31, 1955, total sales of currency by the Fund, including Belgian francs, deutsche marks, sterling and U.S. dollars, amounted to the equivalent of U.S. $1,197.7 million.

During the twelve months under review, Australia, Austria, Denmark, Ethiopia, Finland, France, the Federal Republic of Germany, India, Iran, Paraguay, Turkey and the United Kingdom repurchased, with gold and U.S. dollars, amounts of their currencies totalling U.S. $280.2 million. As of March 31, 1955, total repurchases since the beginning of the Fund's operations amounted to U.S. $685.6 million, of which U.S. $108 million was paid in gold and the remainder in U.S. dollars. Of the total drawn from the Fund, U.S. $203.1 million has been repaid through drawings by other members of the currencies of members that had previously acquired currencies.

Transactions from April 1, 1954 to March 31, 1955 were as follows:

| Drawings | | Repurchases | |
|---|---|---|---|
| Colombia | U.S. $25,000,000 | Australia | U.S. $24,000,000 |
| Indonesia | 15,000,000 | Austria | 7,499,741 |
| Iran | 8,750,000 | Denmark | 10,963,500 |
| Mexico | 22,500,000 | Ethiopia | 855,000 |
| | | Finland | 7,500,000 |
| | | France | 20,000,000 |
| | | Fed. Republic of Germany | 45,088,454 |
| | | India | 36,182,000 |
| | | Iran | 8,732,560 |
| | | Paraguay | 375,000 |
| | | Turkey | 7,000,000 |
| | | United Kingdom | 112,000,000 |
| | U.S.$71,250,000 | | U.S.$280,196,255 |

On September 23, 1954, the period of the stand-by arrangements made on April 16, 1954, whereby the Government of Mexico might purchase up to U.S. $50 million from the Fund, was extended until October 15, 1955. This arrangement required the granting of a wiaver, pursuant to Article V, Section 4, of the Articles of Agreement, of the normal limitations on annual drawings. A similar waiver was also granted in the case of the drawing of U.S. $25 million made by Colombia.

Stand-by arrangements continue in effect with Belgium and Peru. No drawings under these arrangements have been made by either member.

The new charges governing use of the Fund's resources which were adopted in 1953 have been extended through December 31, 1955.

The Fund's services for arranging gold transactions between members have been extended to transactions in which one of the parties is a member of the Fund and the other is one of a list of specified non-members and certain international organizations. Between April 1, 1954 and March 31, 1955, six transactions were arranged. Since inception of the service in 1952, transactions involving approximately U.S. $302.4 million have been completed.

Change in the Margin within which Fund Members are Permitted to Enter into Gold Transactions

The Articles of Agreement provide that the Fund shall prescribe a margin above and below par value for transactions in gold by members. This margin had been established at 1/4 of 1 per cent, plus certain permitted charges for conversion, transport and transfer. The Fund decided on October 15, 1954, that the permitted margin should, at the option of the member, be either the margin prescribed under the previous rule of 1 per cent, which one per cent was to be taken to include the charges which could be added to the 1/4 of 1 per cent margin under the earlier regulation. The amended rule provides somewhat greater freedom in the price at which Fund members may buy and sell gold.

Gold Production Subsidies

During the year, the Fund considered a number of changes in the production subsidies certain members pay to their gold producers. The changes were as follows:

Australia. The Government of Australia proposed that certain gold producers whose annual output exceeded 500 fine ounces and who satisfied the conditions prescribed would be eligible for a subsidy per fine ounce equal to three-quarters of the excess of cost of production over £A13/10/0, but the subsidy would not in any case exceed £A2 per ounce; and that producers whose annual output was less than 500 ounces would be eligible for a flat rate subsidy of £A1/10/0 per ounce. The proposal was deemed to be consistent with the

objectives of the Fund's statement on gold subsidies of December 11, 1947.

Canada. In February 1955, the Fund deemed as consistent with the objectives of its statement on gold subsidies of December 11, 1947, the proposed amendment by the Canadian Government of its Emergency Gold Mining Assistance Act whereby the point at which subsidy begins was raised from $18.00 to $26.50 average cost of production per ounce, and certain changes were introduced in the way in which the subsidy is calculated.

Colombia. On June 30, 1954, a direct subsidy for small producers and pan miners was established in the amount of no more than Ps $20.00 per troy ounce of fine gold and for no more than 30 troy ounces of fine gold per month for each miner.

Philippine Republic. The Government of the Philippine Republic proposed in June 1954, a plan of financial assistance for above-marginal, marginal and sub-marginal gold mines, under which the amount of subsidy would be related to the presumed economic need of each category of mine. The proposal was deemed consistent with the objectives of the Fund's statement on gold subsidies of December 11, 1947.

## Changes in Par Values and Exchange Systems and Other Fund Decisions

Belgium-Luxembourg and Netherlands. The Governments of the Netherlands, Belgium and Luxembourg announced on July 12, 1954, after consultation with the Fund, the institution of certain exchange arrangements principally designed to facilitate capital movements. One set of these arrangements related specifically to the Benelux area; another related to Belgium-Luxembourg (BLEU) and other EPU countries. The Fund's statement on these arrangements was as follows:

> Benelux Arrangements. The Netherlands and Belgium-Luxembourg have informed the International Monetary Fund of their decision to grant complete freedom to movements of capital between their respective territories. However, in order to prevent movements of capital from affecting their respective EPU positions, they have proposed the establishment of a free market for such capital transactions and certain current transactions between their currencies. All payments for the purpose of transferring capital between the respective countries must be carried out through these free markets. At the option of the payer, specified current transactions may also be carried out through these free markets. Payments for current transactions directly connected with foreign trade cannot be carried out through these free markets and must take place at rates governed by the established par values.

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These exchange practices may give rise in the territories of monetary area of Belgium-Luxembourg, on the one hand, and of the Netherlands monetary area, on the other hand, to exchange rates in the free markets exceeding the margins prescribed in the Fund's Articles of Agreement, and to this extent would constitute a multiple currency practice. The Central Banks have made an arrangement which provides for the possibility of intervention in the free markets in order to avoid disorderly fluctuations of the rates.

The Fund does not object to the proposed system as a temporary measure and intends to remain in contact on this subject with the authorities of the Netherlands and of Belgium-Luxembourg.

BLEU Arrangements. Belgium-Luxembourg have consulted the Fund respecting their intention to adopt regulations designed to facilitate the movements of capital between the Belgium-Luxembourg Economic Union (BLEU) and other EPU countries. These regulations include the establishment in Belgium and Luxembourg of a free market for certain transactions between their currencies and the currencies of other EPU countries. All payments for the purpose of transferring capital between the respective countries, and the purchase and sale of their banknotes as well as payments for specified current transactions, could be carried out at the option of the payer through this free market. Payments for other current transactions directly connected with foreign trade could not be carried out through this free market in Belgium and Luxembourg, and would have to continue to take place at rates governed by established par values.

These exchange practices might give rise in the territories of the monetary area of Belgium-Luxembourg to exchange rates in the free market exceeding the margins prescribed in the Fund's Articles of Agreement, and to this extent would consitute a multiple currency practice. The BLEU has stated that the proposed system is a temporary measure pending further progress towards convertibility.

The Fund does not object to the proposed system as a temporary measure and intends to remain in contact on this subject with the authorities of Belgium and Luxembourg.

On March 30, 1955, Belgium-Luxembourg consulted the Fund respecting their intention to adopt as of April 1, 1955, certain exchange regulations extending the existing free market for capital and certain current transactions. The Fund did not object to the proposed changes.

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Brazil. In August 1954, the Government of Brazil informed the Fund of changes in the bases for the payment of export bonuses. The bonus of Cr$5 per dollar for coffee exports and of Cr$10 per dollar for other exports would be applied to 80 per cent of the export proceeds. For the remaining 20 per cent of the proceeds the bonus would be the difference between the free market rates for each currency and the official rate. The fixed premia set for imports of some products would be modified proportionately. Other features of the exchange system remained unchanged. The Fund did not object to the new rates as an emergency measure.

In December 1954, Brazil requested the Fund's approval for an increase in its 8 per cent exchange tax on certain remittances to 10 per cent as from January 1, 1955. The Fund did not object to this increase as a temporary measure, pending further review.

In January 1955, Brazil introduced changes in its exchange system classifying exports into four categories with fixed bonuses applying to each category. The four categories and bonuses were: (1) green coffee - 13.14 cruzeiros; (2) raw cotton, sawn pine wood, cocoa, carnauba wax, Brazil nuts, leaf tobacco and bananas - 18.70 cruzeiros; (3) piassava, castor seeds, soya beans, hides and skins, sisal cocoa cake and paste - 24.70 cruzeiros; and (4) other products - 31.70 cruzeiros. These bonuses applied to exports payable in convertible currencies and pounds sterling. For other currencies the bonuses were: (1) 11.86 cruzeiros; (2) 17.19 cruzeiros; (3) 22.95 cruzeiros; and (4) 29.67 cruzeiros.

In February, the Fund was informed by Brazil that the bonuses to be paid to coffee exports shall be the same as those applying to exports of products listed in Category (2) of 18.70 cruzeiros in convertible currencies and pounds sterling and 17.19 cruzeiros in other currencies.

Chile. In November 1954, the Government of Chile informed the Fund of the introduction of measures permitting the dollar rate in the banking free market to be fixed at a new level of 200 pesos per U.S. dollar. At the same time, the Government instructed the commercial banks to operate in currencies other than the U.S. dollar at rates not higher than the corresponding level of 200 pesos per U.S. dollar. Accordingly, the rates for sterling, deutsche marks, cruzeiros and other currencies, some of which had been quoted in the banking free market at higher levels, were placed under a ceiling of 200 pesos.

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China (Taiwan). On May 3, 1954, China informed the Fund that as from April 14, 1954, the certificate rates of New Taiwan Yuan were adjusted to NT$43.54 buying, NT $43.82 selling for the pound sterling, NT$5.15 buying, NT$5.18 selling for the Malayan dollar, and NT$2.72 buying, NT$2.74 selling for the Hongkong dollar. At the end of April 1954, all foreign exchange receipts and payments had been settled at the certificate rates of NT$15.55 buying and NT $15.65 selling. In June 1954, the Fund was informed that as from May 26, 1954, the certificate rate of the New Taiwan Yuan for the Malayan dollar had been adjusted so that orderly rates were established between the two currencies in relation to the U.S. dollar. In July 1954, the Fund was informed that the defense tax of 20 per cent on sales of exchange had been extended, and, following the subsequent consultations under Article XIV, the Fund did not object to this extension to a wider range of payments.

China informed the Fund on February 28, 1955, that as from March 1, 1955, (1) the Bank of Taiwan rate of NT $15.60 per U.S. dollar will be used only for import and export payments and inward and outward remittances connected with approved industrial development projects and other specified imports, exports and related invisibles; (2) exchange certificates will be used, in addition to the Bank of Taiwan rate of NT$15.60 per U.S. dollar, for settlements of all other import and export payments and inward and outward remittances; (3) the amount of such exchange certificates for each transaction mentioned under (2) will vary depending on the nature of the particular export and other criteria; and (4) the Bank of Taiwan will buy and sell exchange certificates according to fixed prices.

Colombia. On October 22, 1954, a 40 per cent stamp tax on a formerly prohibited list of imports was increased to 80 per cent and the number of goods to which it applied was also increased.

On October 19, 1954, a requirement was established that customs manifests, manifesting the clearance of goods through the Colombian customs, had to be presented when applying for foreign exchange for imports. The result was that exchange for imports could no longer be obtained at any time following the corresponding import registration, and that the importer had to await arrival of the merchandise before obtaining the necessary exchange.

On May 6, 1954, the tax on exports of coffee at 50 per cent of the excess of the surrender price over the "base" price of U.S. 68¢ per pound was reduced by raising the base price to U.S. 74.5¢ per pound.

On February 16, 1955, Colombia changed the effective exchange rate applicable to coffee export proceeds from Ps$2.3845 to Ps$2.50 per U.S. dollar. A system of progressive monthly devaluations of the effective coffee export rate, which the Fund had approved in 1951, had been temporarily suspended in January 1954. Measures affecting the export voucher market and the gold exchange market as well as measures designed to restrict imports were also undertaken.

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Greece. On May 1, 1954, Greece changed its U.S. dollar exchange rate from 30,000 drachmas to 30 drachmas per U.S. dollar, all other rates, prices, and claims being simultaneously adjusted in the same ratio. This technical change was made for reasons of convenience and has not affected either economic conditions in general or the price structure in particular.

Haiti. On April 9, 1954, Haiti and the Fund agreed on an initial par value of 5 gourdes per U.S. dollar for the currency of Haiti. This par value is identical with the exchange rate maintained by Haiti since 1919 without the use of any exchange restrictions. Accordingly, Haiti also notified the Fund that it did not intend to avail itself of the transitional arrangements in Article XIV, Section 2, of the Fund Agreement and that it was prepared to accept the obligations of Article VIII, Sections 2, 3 and 4.

Iceland. Iceland informed the Fund that motor vessel owners are permitted to sell import certificates for 45 per cent of the sales price of their catches instead of 50 per cent during the period January 1 to May 15, 1955. They will, however, be permitted, as previously, to sell certificates for 50 per cent of the sales price of catches processed during the period from May 15, 1955 until the end of the year.

Iran. In August 1954, following consultation with the Fund, the Government of Iran introduced certain changes in her exchange regulations. These were as follows: (1) elimination of the requirement that 5 per cent of export proceeds must be surrendered at the official buying rate of Rls32 per U.S. dollar; (2) appreciation of the buying and selling rate for commercial transactions in Category I to Rls82 per U.S. dollar and Rls84.50 per U.S. dollar, respectively (the rates for commercial transactions in Category II would continue to be determined in a free market); and (3) the non-commercial buying and selling rate would be appreciated to Rls78 and Rls80 per U.S. dollar, respectively. The new rates were to be maintained for at least six months. The Fund did not object to these changes.

On February 6, 1955, after consultation with the Fund, the following changes were effected by Iran: (1) appreciation of the commercial buying and selling rates for Category I to Rls75.00 and Rls76.50 per U.S. dollar, respectively; Category II rates continued to be determined in a free market; (2)appreciation of the non-commercial buying and selling rates to Rls75.00 and Rls76.50 per U.S. dollar, respectively; (3) in order to avoid fiscal loss, exchange sold for Category I imports will be 50 per cent at Rls76.50 per U.S. dollar and 50 per ent at Rls82.50 per U.S. dollar. After the holdings of exchange purchased prior to February 6, 1955, at the rate of Rls82 per U.S. dollar have been disposed of by this method, buying and selling rates for non-commercial exchange will be at Rls 75 and Rls76.50 per U.S. dollar, respectively; (4) all other exchange will be sold and bought at official Fund cross rates.

Mexico. On the proposal of the Government of Mexico, in which the Fund concurred, the par value of the Mexican peso was changed on April 19, 1954, from 8.65 pesos to 12.50 pesos per U.S. dollar.

Nicaragua. In December 1954, the Fund approved a proposal of the Government of Nicaragua to simplify the multiple exchange rate structure by the elimination of the surcharges of C$1 and C$3 per dollar and of the preferential selling rate of C$5 per dollar. Under the new system, the C$7 rate would be used for all exchange transactions in the official market except that export proceeds could continue to be subject to the buying rate of C$6.60 per dollar on a temporary basis. Up to the time of writing, however, the new system had not been put into effect in Nicaragua.

Paraguay. On August 18, 1954, the Fund concurred in a proposal by the Government of Paraguay for a change in the par value of the guarani from 15 guaranies to 21 guaranies per U.S. dollar. The Fund also did not object to the adjustments in the multiple rate structure which accompanied the change in par value.

Philippine Republic. The Fund approved in June 1954 the extension for a further year of the Philippine exchange tax of 17 per cent.

Thailand. In May 1954, and again in July 1954, the Fund was informed by Thailand that certain items had been removed from the list of essential imports for which foreign exchange was sold at a preferential exchange rate by the Bank of Thailand. These measures eliminated the textile category and left only two categories of goods -- milk and medicines -- in the list of essential imports. The Fund agreed to these measures. In December 1954, the Government of Thailand consulted the Fund concerning a proposal to reduce the standard prices of rice on January 1, 1955, for surrender or rice export exchange in order to cope with declining international rice prices and to improve Thailand's balance of payments. As of January 1, 1955, the Bank of Thailand discontinued its sales for essential imports of sterling at the 45 baht rate and of U.S. dollars at the 16.07 baht rate.

On March 15, 1955, the Fund was informed by Thailand of a revaluation of the currency reserves at 20 baht per U.S. dollar and 56 baht per pound sterling effective March 18, 1955.

Yugoslavia. After consultation with the Fund in October 1954, the Government of Yugoslavia introduced, over the next few months, changes in its exchange system for the purpose of permitting a more direct and selective control over imports and preventing excessive earnings from exports.

On December 30, 1954, Yugoslavia informed the Fund that certain specified incoming remittances are to be purchased at a premium of 100 per cent. The Fund expressed no objection to this change.

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## Relations with Members: Consultations and Technical Assistance.

### Article XIV Consultations

Beginning in 1952 and each year thereafter, member countries which still retain restrictions on payments and transfers for current international transactions under Article XIV, Section 2, of the Fund Agreement are required to consult with the Fund as to their further retention. The great majority of Fund members are in this position. At the present time, of the 56 member countries of the Fund, 45 are still maintaining restrictions under Article XIV. Of the remaining 11 members of the Fund, Venezuela has no Article XIV restrictions on international payments and 10 countries have notified the Fund that they are not availing themselves of the transitional arrangement provisions of Article XIV; Canada, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama and the United States.

Accordingly, a large proportion of the Fund's activities in the field of restrictions consists of the consultations carried out annually under Article XIV. The Fund has recognized that the elimination of exchange restructions is not easy, and its efforts with its members toward this end have been based upon the conviction that this objective is not only of key importance for the achievement of the purposes of the Fund, but also in the best interests of its member countries. The annual consultations on the retention of exchange restrictions provide a convenient opportunity for the Fund to review with its members their problems giving rise to the need for continued exchange restrictions, particularly their external payments problems, and the prospects for the relaxation and elimination of exchange restrictions.

In accordance with established procedures, the staff of the Fund had technical discussions with representatives from most of its member countries prior to final consideration and review of their restrictions by the Fund. Many of these technical discussions have involved visits by the Fund staff to the countries concerned. During the past year such technical discussions have included visits to discuss problems on restrictions with European member countries, as well as with several in Latin America, the Middle East and Far East. Discussions with 15 member countries have been held in Washington.

### Technical Assistance.

During the period under review a number of members have requested the Fund to send technicians to study their financial problems and to consult on measures designed to strengthen their economic and financial position. In a majority of cases, these consultations have related to immediate and specific balance of payments problems and

measures to deal with them, such as changes in exchange rates, exchange systems or in restrictions. In other cases, the Fund has been of assistance to members in dealing with other and broader financial subjects, e.g., over-all studies of inflationary conditions and monetary policies, organization and reform of central banks, or certain aspects of fiscal policy.

During the same period, representatives of the Fund have visited ten countries for the purpose of consultation, for informal exchange of views on current problems and policies, for exchange of information, or for the purpose of providing technical assistance. Four members of the Fund staff were granted leave without pay for special assignment to member governments, and the services of two other staff members have been loaned to a non-member government.

As a further phase of its technical assistance to members, the Fund has continued its training program at headquarters. In the current program, which began in September 1954, 16 technicians, drawn primarily from ministries of finance and central banks of member countries, are now receiving training designed to familiarize them with the work and the policies of the Fund. This group includes persons from Bolivia, Brazil, Ceylon, Colombia, the Federal Republic of Germany, Greece, Haiti, Honduras, Indonesia, Iran, Iraq, Israel, Pakistan, Peru, Syria and Thailand. The groups participating in these training programs have an opportunity to acquaint themselves with the techniques of analysis and the statistical methods used in dealing with international economic problems as well as with a range of problems encountered not only in their own countries but in other member countries as well. The Fund has announced that its fifth training program will begin on September 26, 1955, for a maximum of 15 candidates. Along with the regular training program, other officials and technicians from member countries frequently have occasion to visit the Fund, singly or in groups, in order to familiarize themselves with its work.

## Relations with other International Organizations.

During the period under review, the Fund continued to maintain close relations with the United Nations and its regional and technical bodies and with other international organizations, particularly with the Organization for European Economic Co-operation and the International Bank for Reconstruction and Development. A Fund mission participated in the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, primarily in connection with the review of the General Agreement and particularly with those parts of the Agreement bearing on consultations to co-ordinate the respective jurisdictions of the two organizations. The Fund also participated in meetings of the Eighteenth Session of ECOSOC, Regional Economic Commission of the United Nations,

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in the Conference of Technicians of Central Banks of the American Continent and in the Fourth Extraordinary Meeting of the Inter-American ECOSOC. Studies were prepared for the Third Regional Conference of Statisticians of ECAFE, for the Eighth Session of the Statistical Commission of the UN, for the Fourth Conference of Technicians of Central Banks of the American Continent, for the Working Group of Experts on Payments Problems in the ECAFE Region, and the Working Party on Financial Aspects of Economic Development Programs of ECAFE, and for the Fourth Meeting of the Inter-American Economic and Social Council.

REPORT

ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENT ACT

DURING THE

FISCAL YEAR 1955-56

To His Excellency,

The Right Honourable Vincent Massey, C.H.,

Governor General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreement Act during the fiscal year 1955-56.

All of which is respectfully submitted.

W. E. Harris,

Minister of Finance.

Ottawa, April 30, 1956.

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE INTERNATIONAL MONETARY FUND
APRIL 1, 1955 - MARCH 31, 1956

## General Summary

In the year ending March 31, 1956, Afghanistan and Korea became members of the International Bank for Reconstruction and Development and the International Monetary Fund, bringing membership in the two institutions to fifty-eight countries.

During the period, the International Bank made twenty-four loans for development purposes in seventeen countries, totalling $314.6 million equivalent. This record total compares with lending of $302.6 million equivalent in the previous year. As of March 31, 1956, the amount of all loans made by the Bank since its inception was $2,483.5 million, of which $1,895.3 million had been disbursed. In the year under review, the Bank borrowed the equivalent of U.S. $35.8 million in three countries, including a Canadian bond issue of $15 million (Can.) sold in April 1955.

The year was characterized by larger sales to private investors of parts of the Bank's loans. Purchases were made from the Bank's portfolio of borrowers' obligations, and private investors increasingly took initial participations in new Bank loans through the purchase of early maturities. Important loans to Norway and South Africa were made in conjunction with private borrowing by these countries in the New York market. These combined operations, which involved a broadening of the U.S. market for foreign obligations, followed the precedent set by Belgium in the previous year.

In April, 1955, the Bank presented to its member governments for their consideration Articles of Agreement of a proposed new intergovernmental financial institution, the International Finance Corporation. The purpose of this Corporation will be to encourage the growth of productive private enterprises in its member countries, particularly those of the less developed areas. The Corporation, when it is set up, will be an affiliate of the Bank and will undertake types of development financing from which the Bank is precluded by its Articles of Agreement. The Corporation's investment in enterprises is to be provided in conjunction with that of private investors.

The Bank completed during the year the organization and establishment of an Economic Development Institute, a new international centre for study and training in economic development.

During the year, the Bank actively studied the technical, financial and other aspects of the proposed High Aswan Dam in Egypt. Preliminary discussions were held with the Egyptian authorities about the possibility of eventual Bank lending for this project in conjunction with grant assistance from other sources.

In the twelve months under review, further improvement took place in the balance of payments and reserve positions of most members of the Fund. In these circumstances, drawings on Fund resources amounted to only $33.75 million compared with $71.25 million in the previous year and $208.8 million in 1953-54. Eleven Fund members repurchased with gold and U.S. dollars amounts of their currencies equivalent to $191.8 million in repayment of drawings

made in earlier years. This compared with repurchases in the amount of $280.2 million in 1954-55. Up until March 31, 1956, member countries had drawn on the Fund to the equivalent of $1,231.4 million of which approximately $989 million had been repaid by repurchases or otherwise. At the end of the year, the Fund's holdings of gold and convertible currencies amounted to $3,831.3 million and its holdings of all member currencies to $6,104.4 million equivalent. The Fund's holdings of U.S. dollars totalled $1,701.9 million and Canadian dollars were held in an amount equivalent to U.S. $225 million.

During the year the Fund continued its annual consultation with member countries still maintaining restrictions on current payments and transfers, in accordance with the transitional arrangements provided for in Article XIV of the Fund Agreement. The Fund was consulted by Nicaragua, Pakistan and Paraguay about changes in the par values of their currencies and by Australia, Belgium-Luxembourg, Bolivia, Brazil, Chile, China (Taiwan), Colombia, Egypt, Finland, Iceland, Indonesia, Israel, the Netherlands, the Philippines, Thailand, United Kingdom, Uruguay and Yugoslavia concerning changes in their exchange systems.

Following consideration by the Fund's Executive Board at the end of 1955, it was decided that the schedule of charges on the use of Fund resources should be extended through June 30, 1956. The Fund's general policies concerning the use of its resources remained unchanged during the year. However, a review of the Fund's practices in this field, which took place in connection with the preparation of the Fund's Annual Report for 1955, indicated that steady and significant progress had been made since 1953 in making the Fund's resources more readily accessible to its members.

Following the quinquennial review of quotas required by Article III, Section 2, of the Articles of Agreement, the Fund's Executive Board decided not to propose any general revision of quotas.

During the year the Fund directed particular attention to the justification for the bilateral arrangements still maintained by many members and the Executive Board considered in a special series of meetings the general question of members' remaining discriminatory restrictions in the light of the improved world payments situation.

## Canadian Representation in the Bank and Fund

Since July 22, 1954, the Honourable Walter E. Harris, Minister of Finance, had been the Canadian Governor of the Bank and the Fund. During the period under review, Mr. James Elliott Coyne, Governor of the Bank of Canada, continued as Canadian Alternate Governor of the Fund, and Mr. A. F. W. Plumptre, Assistant Deputy Minister, Department of Finance, as Alternate Governor of the Bank. The elected Executive Director of the Bank and Fund for Canada is Mr. Louis Rasminsky. His Alternate in both institutions is Mr. J. H. Warren.

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## Membership

In the course of the year, Afghanistan and Korea became members of the Bank subscribing to 100 and 125 shares of capital stock, with a value of $10 million and $12.5 million, respectively. On December 21, 1955, the Government of Viet Nam applied for membership in the Bank.

## Tenth Annual Meeting

At the Tenth Annual Meeting of the Board of Governors, held in Istanbul, Turkey, the Governors reviewed operations for the fiscal year 1954-55 and discussed the Bank's policies. Particular attention was given to the place of government in the development of industry, the release of members' 18% currency subscriptions, the undesirability of undue extension of medium-term credits by industrial exporters and the proposed establishment of the International Finance Corporation.

## Lending Operations

During the period April 1, 1955, through March 31, 1956, the Bank made 24 loans in 17 countries totalling $314.6 million. This compares with lending of $302.6 million in the previous year. The amount of all loans made to March 31, 1956, was $2,483.5 million, of which $1,895.3 million have been disbursed. The following table (See Table I, page 4) shows the loans made during the year. Interest rates include the 1% commission which, under its Articles of Agreement, the Bank must charge on all its loans. Where loans were not made directly to member governments, such governments guaranteed the loans made in their territory.

## Earnings and Reserves

The net earnings of the Bank in the twelve months ended March 31, 1956, amounted to approximately $27 million, all of which was credited to the Supplemental Reserve against Losses on Loans and Guarantees. In addition, the Bank added $14 million to the Special Reserve during the period. On March 31, 1956, the Supplemental Reserve amounted to approximately $143 million and the Special Reserve totalled approximately $73 million.

## Additional Funds Available for Lending from Capital Subscription

Since April 1, 1955, Austria, Japan and Peru have agreed, subject to varying conditions, to the release of amounts totalling the equivalent of approximately $13.6 million from their 18% local currency capital subscriptions for disbursement on loans.

TABLE I

| Member Country | Principal Amount (in millions) (U.S.) | Date of Agreement | Term | Interest 1/ Rate | Purpose |
|---|---|---|---|---|---|
| Austria | $10.0 | June 14, 1955 | 25 years | 4-3/4% | Electric power development |
| Colombia | 15.9 | June 15, 1955 | 25 years | 4-3/4% | National railways project |
| Ecuador | 5.0 | Mar. 29, 1956 | 20 years | 4-3/4% | Electric power development |
| France (Algeria) | 10.0 | Aug. 26, 1955 | 20 years | 4-3/4% | Electric power development |
| Guatemala | 18.2 | July 29, 1955 | 15 years | 4-5/8% | Highway construction and maintenance |
| Honduras | 4.2 | Dec. 22, 1955 | 9 years | 4-1/2% | Highway maintenance |
| Italy | 70.0 | June 1, 1955 | 20 years | 4-3/4% | Electric power, irrigation and industrial projects |
| Japan | 5.3 | Oct. 25, 1955 | 15 years | 4-5/8% | Construction of steel plate mill |
| Japan | 8.1 | Feb. 21, 1956 | 15 years | 4-3/4% | Modernization of steel, shipbuilding and automotive industries |
| Lebanon | 27.0 | Aug. 25, 1955 | 25 years | 4-3/4% | Electric power development and irrigation |
| Nicaragua | 7.1 | July 8, 1955 | 20 years | 4-3/4% | Electric power development |

1/ Includes 1% commission

| Member Country | Principal Amount (in millions) (U.S.) | Date of Agreement | Term | Interest[1/] Rate | Purpose |
|---|---|---|---|---|---|
| Nicaragua | $ .4 | July 8, 1955 | 20 years | 4-3/4% | Electric power development |
| Nicaragua | 1.5 | Aug. 26, 1955 | 12 years | 4-1/4% | Agricultural development |
| Norway | 25.0 | Apr. 19, 1955 | 20 years | 4-3/4% | Capital equipment for general development |
| Pakistan | 13.8 | June 20, 1955 | 15 years | 4-5/8% | Electric power development |
| Pakistan | 4.2 | Aug. 4, 1955 | 15 years | 4-5/8% | Construction of paper and pulp mill |
| Pakistan | 14.8 | Aug. 4, 1955 | 25 years | 4-3/4% | Port construction and development |
| Panama | 5.9 | July 12, 1955 | 9 years | 4-1/4% | Highway rehabilitation |
| Peru | 18.0 | Apr. 5, 1955 | 25 years | 4-3/4% | Irrigation project |
| Peru | 5.0 | Aug. 5, 1955 | 9 years | 4-1/4% | Highway maintenance |
| Peru | 2.5 | Apr. 19, 1955 | 15 years | 4-5/8% | Construction of cement plant |
| South Africa | £9.0 = 25.2 | Nov. 28, 1955 | 10 years | 4-1/2% | Expansion of transport facilities |
| Thailand | 12.0 | Aug. 9, 1955 | 15 years | 4-5/8% | Railway rehabilitation |
| Uruguay | 5.5 | Aug. 29, 1955 | 20 years | 4-3/4% | Electric power development |

1/ Includes 1% commission

Sale and Redemption of Securities

The new bond issues which were offered by the Bank during the period April 1, 1955 to March 31, 1956, are set forth in Table II.

TABLE II

Bond Issues Offered by the Bank
during period April 1, 1955 to March 31, 1956

| Issue & Maturity | Date of Issue | Principal Outstanding U.S.$ | Annual Sinking Fund Requirements |
|---|---|---|---|
| Payable in Can. $ (valued at $1 Can. = $0.909 U.S.) | | | |
| 3-1/4% Ten Year Bonds of 1955, due 1965 (Can. $15,000,000) | Apr. 1, 1955 | $13,636,364 | 1958-64 Can. $500,000 |
| Payable in Netherlands Guilders | | | |
| 3-1/2% Twenty Year Bonds of 1955, due 1975 (f40,000,000) | Sept. 1, 1955 | 10,526,316 | 1961-74 f2,640,000<br>1975 f3,040,000 |
| Payable in Swiss Francs | | | |
| 3-1/2% Twenty Year Bonds of 1955, due 1976 (Sw. fr. 50,000,000) | Jan. 1, 1956 | 11,634,671 | 1965-74 Sw.fr. 4,000,000<br>1975-76 Sw.fr. 5,000,000 |
| | Grand Total | $35,797,351 | |

On August 1, 1955, the Bank redeemed the outstanding balance of Can. $13.6 million of the 4% Ten-Year Canadian Dollar Bonds of 1952, due 1962. In addition, $10,000,000 of the U.S. 2% Serial Bonds of 1950, due 1956-62, and Sw. fr. 5,000,000 (U.S. equiv. $1,163,467) of the 2-1/2% Swiss franc Serial Bonds of 1950, due 1955-56, matured during the year.

The total of the Bank's issues outstanding on March 31, 1956, was the equivalent of $850 million, of which $695 million was denominated in U.S. dollars, $36.4 million in Canadian dollars and the remainder in sterling, Netherlands guilders and Swiss francs.

Sales of Bonds from the Bank's Portfolio

During the period April 1, 1955 to March 31, 1956, the Bank sold or agreed to sell to private investors the equivalent of $90.3 million principal amount of loans it had made. This compares with sales of $76.5 million in the year 1954-55 and $24.8 million in 1953-54. Of the $90.3 million, $10.4 million was sold with, and $79.9 million without, the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank on March 31, 1956, aggregated $258.4 million, of which $77.8 million had been retired by the borrowers.

As will be seen, the notable increase in the interest of private investors in acquiring part of the Bank's loans which was so marked a feature of the previous year's activities, was continued and reinforced in the period under review. This interest was manifested not only through purchases from the Bank's existing portfolio but increasingly through participations by private investors at the time new loans are made. Thus, of the twenty-four loans made in the twelve months up to March 31, 1956, twenty-one attracted private participations, usually through the purchase of early maturities.

In last year's report, attention was drawn to a Bank loan to Belgium in conjunction with a $30 million offering of Belgian securities in the New York capital market and it was indicated that more of these joint I.B.R.D. and private lending operations were likely to take place. This expectation was borne out in the year 1955-56 when similar joint operations were undertaken with Norway and South Africa. In the Norwegian case, the Bank loan was in the amount of $25 million equivalent and the New York private lending was in the amount of $15 million. South Africa borrowed $25 million in the New York market in conjunction with a loan of $25.2 million equivalent from the Bank. These joint operations are important in opening up the New York market to foreign borrowers; together with increased purchases by private investors of the obligations of the Bank's borrowers, they represent a further measure of success in the Bank's efforts to revive and stimulate the flow of private international investment.

The Bank's 1% Loan Commission

In accordance with the Articles of Agreement, the Bank since its inception has charged a commission of 1% per annum on the outstanding portion of its loans. This commission was set aside, as required by the Articles, in a Special Reserve to be available for meeting the Bank's liabilities. The Articles of Agreement provide that at the end of the first ten years of the Bank's operations the rate of commission might be reduced if the reserves accumulated by the Bank in the period were considered to be sufficient to justify a reduction. This matter was considered by the Board of Directors during the period under review and it was decided to leave the Commission unaltered at 1%.

Technical Assistance

Since the beginning of its programme of economic survey missions in 1949, seventeen Bank missions, organized at the request of individual member countries, have completed studies on their economic development in general or in special fields. Two general survey mission reports, for Syria and Malaya, were transmitted to the governments concerned and were published in the year under review. The report of the mission to assist the Autonomous Regional Corporation of the Cauca Valley, Colombia, was completed in January 1956. Two additional missions made field studies in 1955 and were preparing their reports at the end of the year. These were a general survey mission to Jordan and a mission to study the agricultural development of Colombia. A small survey mission went to Italian Somaliland early in 1956.

The Bank's mission to Nicaragua in 1951 and 1952 represented a departure in method, although not in purpose, from the previous general survey missions. In this instance two Bank staff members were stationed in the country for nearly a year, working closely with the government on the preparation of a long-range programme and at the same time on initial actions to put the programme into effect. The results were good and a similar approach was taken in Guatemala and Honduras in 1955. Also, a staff member was assigned for several months to assist the Government of Ecuador in starting its National Board of Economic Planning.

As the Bank has increased its activities in member countries, the amount of advice and assistance rendered in the course of its regular operations has grown steadily. Most loans are the result of extended study and consultation, in the course of which Bank staff members and advisors have frequent opportunities to provide assistance on matters of programming, organization, the choice and planning of projects and more specific technical questions.

As in past years, the Bank assisted a number of member countries in recruiting experts for posts related to development. The fields in which experts were nominated by the Bank included, among others, railroad management, railroad operating statistics, port administration, development banking, public debt administration, and the establishment of a shipping company. In the case of Iran, the Bank made an arrangement with the Government by which the Bank is recruiting international experts for the Technical Bureau of the Plan Organization, and a Bank staff member has been given leave of absence to serve as chief of this Bureau.

The Bank continued to collaborate with India and Pakistan in devising ways to increase the use of the Indus system of rivers for irrigation. Representatives from the Bank and the two countries carried out field studies and held discussions in Washington. Inter-governmental agreements were reached covering the division of waters for the second crop season of 1955 and the first crop season of 1955-56 and discussions with the object of preparing a comprehensive permanent settlement were continued.

The Bank completed during the year the organization of the Economic Development Institute, a new international centre for study and training in economic development. The Institute,

established in cooperation with the Rockfeller and Ford Foundations, is designed to meet the need of the less developed countries for a general improvement of economic management in government by increasing the number of administrators skilled in dealing with problems of economic policy and with the planning and administration of development programmes.

The first six-months' course, which began on January 9, 1956, includes fourteen participants, all of them senior officials of their governments. They are from Belgium (African territories), Ceylon, Colombia, Egypt, Haiti, India, Japan, Mexico, Nigeria, Pakistan, Philippines, Thailand, Uganda and Yugoslavia.

The Bank has continued its ordinary programme of providing training each year for a limited number of people from member countries who are pursuing careers related to the work of the Bank. This training is designed to enable the participants to become familiar with the organization, functions, and operating methods of the Bank and to have the benefit of the Bank's experience in dealing with problems of economic development. The Bank had general trainees in 1955 from eight countries. In addition, the Bank arranged for special programmes of training for officials from Denmark, Guatemala, Pakistan and Indonesia.

## The International Finance Corporation

In April 1955 the Bank completed and presented for consideration of its member governments Articles of Agreement for the proposed International Finance Corporation. The purpose of the Corporation will be to encourage the growth of productive private enterprise, particularly in less developed areas. The Corporation will be affilitaed with the Bank and membership is open to governments which are Bank members. It will have an authorized capital of $100 million, payable in gold or U.S. dollars; the capital will be available for subscription by members in amounts proportionate to their subscription to the the capital of the Bank.

The charter of the Corporation requires a minimum membership of thirty countries, together subscribing at least $75 million before the Corporation can come into being. As of March 31, 1956, seventeen countries, with prospective subscriptions totalling $57,231,000, including Canada with a subscription of $3,600,000, had completed action necessary for membership in the Corporation. In addition, thirty-two other members had expressed their intention of joining the Corporation and many of these had already carried to an advanced stage the domestic legislation required to authorize membership.

# THE INTERNATIONAL MONETARY FUND

## Tenth Annual Meeting of the Board of Governors

The Board of Governors, under the Chairmanship of Abdel Moneim El Kaissouni, Governor for Egypt, held their Tenth Annual Meeting in Istanbul, Turkey, from September 12 through September 16, 1955. Following the Managing Director's presentation of the Annual Report, the Board discussed the policies and activities of the Fund, exchanged views on the world payments position and prospects, and transacted routine Fund business.

The Governor for Mexico was elected Chairman for the ensuing year and the Governors for China, France, India, the United Kingdom and the United States were elected Vice-Chairmen. The Eleventh Annual Meeting will be held in Washington, D.C., from September 24 through September 28, 1956.

## Membership

Afghanistan became a member of the Fund on July 14, 1955, with a quota of $10 million and Korea became a member of the Fund on August 26, 1955, with a quota of $12.5 million. There are now 58 Fund members and the aggregate of their quotas is US$8,750 million. On December 21, 1955, the Government of Viet Nam applied for membership.

## Settlement of Accounts with Czechoslovakia

On June 23, 1955, the Managing Director of the Fund and representatives of Czechoslovakia signed an agreement for the settlement of all accounts outstanding between Czechoslovakia and the Fund; Czechoslovakia had ceased to be a member of the Fund on December 31, 1954.

## Use of the Fund's Resources and Other Transactions

The schedule of charges governing use of the Fund's resources which was adopted in 1953 was extended through June 30, 1956, following discussion in the Executive Board at the end of 1955. It was agreed that the charges schedule should again be reviewed during the first half of 1956.

Members' exchange transactions with the Fund from April 1, 1955 through March 31, 1956, were as follows:

| Drawings | | Repurchases | |
|---|---|---|---|
| Burma | US$15,000,000.00 | Australia | US$ 8,000,000.00 |
| Iran | 8,750,000.00 | Burma | 3,246,823.18 |
| Philippines | 10,000,000.00 | Ceylon | 1,001,000.00 |
| | | Ethiopia | 579,142.18 |
| | | Finland | 5,392,500.00 |
| | | France | 60,000,000.00 |
| | | India | 15,000,000.00 |
| | | Iran | 8,750,000.00 |
| | | Japan | 62,437,897.17 |
| | | Mexico | 22,422,562.62 |
| | | Turkey | 5,000,000.00 |
| | US$33,750,000.00 | | US$191,829,925.15 |

Stand-by arrangements with Belgium and Peru continue in effect, permitting drawings up to $50 million and $12.5 million, respectively. On February 10, 1956, the arrangement with Peru was extended through February 17, 1957. In March 1956 a stand-by arrangement permitting drawings up to $35 million through March 31, 1957, was agreed with Chile. No drawings under any of these arrangements have been made by the members concerned. An extension of the stand-by arrangement with Mexico, which expired on October 15, 1955, was not requested.

Between March 1, 1947, when the Fund commenced operations, and March 31, 1956, the Fund effected transactions equivalent to $1,231.4 million on behalf of 28 members. Of the total of $1,231.4 million drawn from the Fund, $989.0 million have been repaid to the Fund either through repurchases by members that had drawn upon the Fund or through drawings by other members of currencies of members that had purchased from the Fund. Of the remaining $242.4 million, $194.7 million fall within the gold tranches of the members concerned. Of the $877.5 million repurchased by members, $345.3 million were mandatory repurchase obligations in accordance with Article V, Section 7(b), of the Fund Agreement, while $532.2 million were voluntary repurchases.

On March 31, 1956, the Fund's holdings of member currencies (including non-negotiable, non-interest bearing notes) amounted to the equivalent of $6,104.4 million, of which $1,701.9 million was in U.S. dollars. Of the other Fund holdings of convertible currencies totalling US$343.1 million, the largest was in Canadian dollars equivalent to US$225.0 million. The Fund's total holdings of gold and convertible currencies amounted to US$3,831.3 million, of which US$1,786.3 million were in gold.

The Fund's general policies on the use of its resources, including its policies on gold tranche drawings, stand-by arrangements and the application of the waiver provisions of the Agreement with respect to drawings, were maintained without change during the year under review. The principle is now firmly established that unless there are overwhelmingly strong reasons for not doing so, the Fund will invariably grant members' requests for gold tranche drawings. Although no comparable principle applies to drawings beyond the gold tranche, members are aware that, if they face balance of payments problems of a temporary nature, they may confidently expect a favourable response from the Fund to a request for a drawing within the first credit tranche, provided they are themselves making reasonable efforts to solve their problems.

Moreover, should the need arise and should the justification be substantial, members understand that drawings in subsequent tranches will be permitted. Several such drawings have been made. For instance, in the past year Burma drew $15 million, equivalent to 100 per cent of its quota and the Philippines drew $10 million, representing 67 per cent of its quota. The Fund is continuing to develop its practices so that, without neglecting the importance of maintaining proper standards, its operations may be made more helpful to its members.

Review of Quotas

In January 1956, the Executive Board completed the quinquennial review of quotas required by Article III, Section 2 of the Fund's Articles of Agreement and did not propose a general revision of quotas.

Gold

Australia. In October 1954, the Government of Australis introduced a plan whereby certain gold producers whose annual output exceeds 500 ounces and who satisfy the conditions prescribed would be eligible during the financial years 1954-55 and 1955-56 for a subsidy per fine ounce equal to three quarters of the excess cost of production over £A 13-10s., provided that the subsidy would not in any case exceed £A 2 per ounce; producers whose annual output was less than 500 ounces would be eligible for a flat rate subsidy of £A 1-10s. per ounce. This plan has been extended through the three years commencing with the financial year 1956/57.

Canada. On March 20, 1956, the Fund was informed that effective March 21, 1956, all restrictions on gold transactions in Canada would be removed.

The Philippines. In June 1954, the Government of the Philippine Republic introduced a subsidy scheme giving assistance to abovemarginal, marginal and submarginal gold mines for a period of two years. From September 16 to December 31, 1955, the Government took measures to channel more newly mined gold into its central reserves. During this period, gold producers were required to sell a minimum of 50 per cent of their gold production to the Central Bank at 103 pesos per ounce from overmarginal mines and 105 pesos per ounce from marginal mines, with the option of selling the whole of their output at the same prices.

Changes in Par Values

Nicaragua. The Fund concurred in the proposal of the Government of Nicaragua to change the par value of the Nicaraguan cordoba from 5 cordobas to 7 cordobas to the U.S. dollar effective July 1, 1955. The new par value had served as the basic rate of exchange for the cordoba since November 1950 when the Nicaraguan Government undertook to simplify its multiple rate system. With the change in par values, exchange surcharges were abolished and all official market transactions were to be conducted at the new rate, with the exception of a temporary buying rate of 6.60 cordobas per U.S. dollar for export proceeds.

Pakistan. The Fund concurred in the proposal of the Government of Pakistan to change the par value of the Pakistan rupee from 3.30852 rupees to 4.76190 rupees to the U.S. dollar effective July 31, 1955.

Paraguay. The Fund concurred in the proposal of the Government of Paraguay to change the par value of the guarani from 21 guaranies to 60 guaranies to the U.S. dollar effective March 1, 1956. The new par value applies to all exports, essential imports, receipts and transfers of certain services included in the foreign exchange budget, and all government transactions. For nonessential imports, there is a temporary exchange surcharge of 25 guaranies per U.S. dollar. A free market is retained for capital transactions and services not included in the official market. The system now established eliminates a large number of exchange rates for both exports and imports. Exchange rate discrimination among foreign currencies has also been removed.

## Changes in Exchange Systems

Australia intensified its import restrictions on April 1, 1955 and October 1, 1955, in varying degrees for imports from both dollar and non-dollar areas, with a view to arresting the decline in reserves. Steps were also taken on October 1, 1955, to introduce a nondiscriminatory system of import licensing for specified commodities.

Belgium-Luxembourg. In April 1955, access to the free market previously limited to EPU residents was extended to all nonresidents. On May 1, 1955, free market dealings in dollars were made possible, but residents could, in general, only export their capital to the dollar area by purchasing securities. On July 18, 1955, the use of the free market was extended to all capital transactions by both residents and nonresidents. As of January 1, 1956, all restrictions on imports and exports of gold bars and coins and on their free negotiation in Belgium-Luxembourg were lifted. Settlements for international transactions in gold, however, were to be made in bank notes or through the existing free foreign exchange market.

Bolivia. On November 3, 1955, Bolivia introduced a system permitting exporters of agricultural and forest products to import specified essentials, or to sell the right to import such essentials, up to the value of the exchange proceeds of such exports.

Brazil. During 1955, there were many changes in the effective import and export rates through shifts in commodity classifications and fluctuations in the auction premia. Effective export rates were gradually increased on a selective basis.

Chile. In March 1956, Chile obtained Fund approval for changes in its exchange system, which included a simplification of the rate structure, reduced reliance on quantitative restrictions, and the use of a free exchange market for most current transactions. To provide backing for the exchange reform, which could be drawn on if necessary, a stand-by arrangement was made with the Fund in the amount of $35 million and other credits were obtained from New York banks and the United States Treasury.

China (Taiwan). During the past year, China made several changes in its exchange system, including the introduction of an exchange certificate system, several subsequent alterations in the application of this system, and the introduction of a special rate of exchange for foreign military and diplomatic personnel. As a consequence of these revisions, the complexity of its multiple rate system substantially increased.

Colombia. In May 1955, Colombia took steps to unify its three free exchange markets and to include in the new unified free market imports in Groups II, III and IV from all countries. The proposed measures made possible a substantial relaxation in the bilateral payments regulations introduced by Decree 1259 of May 4, 1955, which were not to be applied to transactions in the new free exchange market. On October 21 and November 11, 1955, Colombia also shifted certain capital goods imports, banana exports and certain invisible payments to the free market, and required one-half of the freight charges to Colombian ports to be paid through this market.

Egypt. In September 1955, Egypt abolished the import entitlement arrangements applying to sterling, deutsche marks and U.S. and Canadian dollars. The effective rates applying to trade transactions in these currencies thus became, for the most part, the official rates.

Finland. On July 1, 1955, a more liberal import procedure was introduced under which licenses were automatically granted for a long list of items. However, the new measure did not apply to imports for which payments were made in U.S. or Canadian dollars. On December 22, 1955, the automatic import licensing procedure was extended to include additional goods and for certain goods this procedure was made applicable to imports from all countries. It is estimated that about 50 per cent of total imports will now be subject to automatic import licensing procedure. On December 15, 1955, Finland reduced the surcharge on foreign exchange for travel purposes from about 51 per cent to about 42 per cent of the par value, and by permitting transfers to and from "inland markka" and "tourist markka" accounts held by foreign banks, the "inland markka" and "tourist markka" rates were brought into line.

Iceland. On November 4, 1955, Iceland effected a change in its exchange system by which the premium on special import certificates was increased from 61 per cent to 71 per cent for imports from the dollar area, the EPU area and the USSR and from 26 per cent to 36 per cent for imports from most countries with which Iceland has bilateral clearing arrangements. For fish products caught in the period January 1 to May 15, 1956, certificates are to be issued for 45 per cent of their value when exported, while for fish caught in the remaining part of 1956 certificates are to be issued for 50 per cent of their value when exported. The same arramgement was effective in 1955.

Indonesia. Following upon a number of changes in Indonesia's exchange practices, its import and exchange system was substantially recast on September 1, 1955. Imports were reclassified into four categories, and the two sets of surcharges which had previously been levied were replaced by levies of 50 per cent of the cost and freight value for Category I imports (essentials)

and of 100 per cent for Category II imports (semi-essentials). Similar levies of 200 per cent for Category III imports (luxuries) and of 400 per cent for Category IV (extreme luxuries) imports were imposed on October 15, 1955. Import licensing procedures were simplified, and export-import linked transactions, barter transactions, and the system of "exchange free" imports, i.e., luxury imports for which no official exchange was made available, were abolished. Effective October 24, 1955, premiums were introduced of 5 per cent on the f.o.b. proceeds from exports of pepper, and 10 per cent on the proceeds from all other exports except copra, coffee, palm oil and palm kernels, crude oil and its products, tin and tin ore, leaf tobacco, sugar, and certain types of rubber.

Israel. The exchange rate applied to receipts from "appeals and donations of institutions, organizations, funds, etc. . . " was changed from IL 1.300 to IL 1.500 per U.S. dollar as of October 2, 1955, thereby bringing this special rate nearer to the official rate of IL 1.800 per U.S. dollar.

Netherlands. Effective August 1, 1955, U.S. or Canadian residents, who previously could repatriate capital balances in the Netherlands only by means of security transactions, were authorized to repatriate such balances directly. In September 1955 this facility was extended to residents of other countries in the dollar area.

Philippines. On June 30, 1955, the Fund gave its approval to an extension to June 30, 1956, of the Philippine exchange tax of 17 per cent. However, one of the provisions of the revision of the 1946 Trade Agreement signed by the Philippine Republic and the United States on September 6, 1955, eliminated this tax and replaced it by a special import levy. This measure came into effect January 1, 1956.

Thailand. The Exchange Equalization Fund set up at the time of the revaluation of the monetary reserves of the Bank of Thailand to counteract undue fluctuations in the free market rates came into operation on July 13, 1955. On August 13, 1955, a further step was taken toward a unified exchange system by eliminating surrender requirements at the official rate for export proceeds for rice and tin. The surrender requirement for rubber at the official rate, the remaining such requirement, was removed on September 15, 1955. The transfer of government expenditures and student remittances to the free market became effective on January 1, 1956.

United Kingdom. On April 15, 1955, the United Kingdom issued an amendment to its exchange control regulations concerning the receipt of specified currencies for exports to transferable account countries. From that date, payment for United Kingdom exports to such countries could be received not only in transferable account sterling but also in any specified currency freely offered and freely transferable to the United Kingdom.

Uruguay. On September 15, 1955, Uruguay introduced various changes in the exchange system, whereby certain premia were granted on wool exports and surcharges was imposed on some imports. As of December 28, 1955, the exchange rate for wool exports were applied to aforo values (official valuation of exports for the purpose of establishing exchange surrender requirements) which are changeable periodically. At the same time the premium accorded raw wool exports by decree of September 15, 1955, was extended to March 31, 1956, and new export rates were established for the same three-month period for wool tops and for dry cattle hides.

Yugoslavia. As of January 1, 1956, retention quotas and the free market for transactions in retained exchange were abolished. Exporters were required to surrender to the National Bank 99 per cent of their foreign exchange receipts and the remaining 1 per cent could be used only for expenses incidental to export transactions or for imports on their own account. However, foreign trade agents, shipping lines, airlines, etc., could use some 20 per cent to 100 per cent of their foreign exchange receipts for their own purposes. Otherwise, foreign exchange could be obtained only from the National Bank, within an administratively regulated allocation system. A 33-1/3 per cent premium to be applied to the official rate of exchange was also introduced, resulting in an effective rate of 400 dinars per U.S. dollar, for foreign exchange sold in Yugoslavia by tourists and foreign representatives. An effective rate of 600 dinars per U.S. dollar continued to be applied to most foreign private remittances, such as transfer of inheritances, family maintenance, and gifts.

## Consultations in 1954 and 1955

The fourth series of Article XIV consultations with members on the retention of their restrictive practices began in April 1955. Such consultations are held with the 46 members which apply transitional arrangements under Article XIV of the Fund Agreement. In addition to the regular scope of these consultations, as described in previous Reports, the Fund, in the period under review, has reviewed the bilateral arrangements of the members consulted and examined with them the economic justifications for such arrangements and the possibility of reducing their reliance on these practices. The Fund has also urged the adoption, where necessary, of suitable domestic and exchange policies which promote stability and lead to a lessening of restrictions. At the request of members, the Fund has from time to time advised them on ways and means of reforming their exchange systems, and on related matters.

## Technical Assistance

During the year under review, the staff, as in the past, has paid numerous visits to member countries for the purpose of exchanging views and information, engaging in consultations under Article XIV, Section 4, and furnishing technical assistance. Through these meetings from time to time with monetary authorities in their own countries, the Fund's understanding of the problems of its members is enhanced and, consequently, the Fund is in a better position to respond promptly to any request made to it. Such meetings also provide opportunities to make available the results of the Fund's experience in dealing with questions which may be of concern to the member.

During the period April 1, 1955 through March 31, 1956, forty-one member countries were visited by representatives of the Fund staff for purposes of consultation, technical assistance or the exchange of views and information. In addition, three members of the staff were granted leave without pay for special assignments in member countries.

## Training Programme

The programme for training junior officers from the Ministries of Finance and Central Banks of member countries has been in operation since 1950. To date, 98 nationals of 48 member countries have studied the organization, operations, and objectives of the Fund, have received training in balance of payments and other statistical and research techniques, and have studied the economies of selected countries and regions. The last 12-month training programme started in September 1955 with 17 trainees from as many countries.

## Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has continued to maintain close relations with the United Nations and its regional and technical bodies as well as with other international agencies including the Organization for European Economic Co-operation and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. These relations involve direct working contacts with the staffs of these agencies, the preparation of studies and reports for such bodies on subjects within the Fund's field of competence, and official participation in their meetings.

## Fund Building

A site has been acquired at 19th and H Streets, N.W., Washington, D.C., for a new Fund building which is expected to be completed in the summer of 1957.

To His Excellency,

The Right Honourable Vincent Massey, C.H.,

Governor General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreement Act during the fiscal year 1956-57.

All of which is respectfully submitted.

Donald M. Fleming

Minister of Finance.

Ottawa, October 28, 1957.

REPORT OF OPERATIONS UNDER

BRETTON WOODS AGREEMENT ACT

IN 1956/57

Introductory Note

The present report includes a brief description of the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation, as well as a survey of their operations during the period April 1, 1956 - March 31, 1957.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Bank and the International Monetary Fund, was authorized by the Bretton Woods Agreement Act, 1945 (9-10 George VI, Chapter 11).

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The three organizations are closely linked in membership and general fields of endeavour. Membership in the International Bank for Reconstruction and Development is a prerequisite for membership in the International Finance Corporation; and membership in the International Monetary Fund is a prerequisite for membership in the International Bank. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the three organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all three organizations in the same group of buildings in Washington, D.C.

## THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

General Background

The International Bank for Reconstruction and Development is an international organization, the members of which are governments. It was established and is operating under Articles of Agreement signed by those governments. The Bank officially began operations on June 25, 1946.

On accepting membership in the Bank, each member subscribes to shares of the capital stock of the Bank. Accordingly, the Bank's members are its stockholders.

The principal purposes of the Bank may be summarized as follows:

(a) To assist in the reconstruction and development of its member countries by facilitating the investment of capital for productive purposes, thereby promoting the long-range balanced growth of international trade and the improvement of standards of living;

(b) To promote private foreign investment by guarantees of and participations in loans and other investments made by private investors; and

(c) When private capital is not available on reasonable terms, to make loans for productive purposes out of its own resources or funds borrowed by it.

In carrying out those purposes, the Bank has engaged in two principal types of financing operations. First, it has made loans for productive purposes to finance, in whole or in part, the foreign exchange costs of programs and projects of reconstruction and development. Second, it has raised funds in the private market by issuing its own obligations and by selling, with its guarantee and recently without its guarantee, securities under loans it has granted.

The total authorized capital stock of the Bank is $10,000 million, in terms of U.S. dollars of the weight and fineness in effect on July 1, 1944. It is divided into 100,000 shares of the par value of $100,000 each. Total subscribed capital, as of March 31, 1957, was $9,265.4 million.

From the standpoint of the manner and amount of payment of the subscriptions and the purposes for which subscribed capital can be used by the Bank, the subscription of each member is divided into three parts:

(1) 2% of each subscription is payable in gold or U.S. dollars. These funds may be freely used by the Bank in any of its operations. With one exception, each member has paid such 2% of its subscription.

(2) 18% of each subscription is payable in the currency of the subscribing member. These funds may be loaned only with the consent of the member whose currency is loaned. Approximately $1,000 million of this capital had been made available to the Bank in usable form by March 31, 1957. This includes the complete release of Canada's 18% subscription.

(3) The remaining 80% of each subscription is subject to call by the Bank only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it. It is thus not available for use by the Bank in making loans. Payments on any such call may be made, at the option of the particular member, either in gold, in U.S. dollars or in the currency required to discharge the obligations of the Bank for which the call is made.

The other chief source of funds has been the sale of bonds of the International Bank on the chief financial markets of the world. The net funded debt of the Bank on March 31, 1957, was approximately $948.5 million.

The Bank's lending operations have conformed generally to five principles derived from the provisions of the Articles. They are:

(a) The Bank makes loans either to member governments or to governmental authorities or agencies or private enterprises in the territories of member governments. A loan which is not made directly to the government in whose territories the project being financed is located must be guaranteed as to principal, interest and other charges by the government or its central bank or a comparable agency of the government acceptable to the Bank. In practice a guarantee by the government itself has been required in all cases.

(b) Loans must be for productive purposes. Loans which, in the Bank's opinion, cannot be justified on economic grounds are excluded.

(c) In making loans, the Bank must act prudently and pay due regard to the prospects of repayment.

(d) The Bank does not make loans which are obtainable in the private market on reasonable terms. Since the Bank is intended to promote private investment, not to compete with it, it does not undertake business which private investors are willing to transact on a reasonable basis.

(e) The use of loan proceeds is supervised. The Bank makes arrangements to ensure that funds loaned are used only for authorized purposes, with due attention to considerations of economy and efficiency.

The Bank's administration is composed of the Board of Governors, the Executive Directors, and the President, other officers and staff.

All the powers of the Bank are vested in the Board of Governors which consists of a Governor and an Alternate Governor appointed by each member of the Bank who exercise the voting power to which that member is entitled. Each member is entitled to 250 votes plus one vote for each share held. The Board holds regular Annual Meetings.

There are 17 Executive Directors, of whom five are appointed, one by each of the five members having the largest number of shares of capital stock (the United States, the United Kingdom, China, France and India), and the remaining 12 are elected by the Governors representing the other members. The Board of Governors has delegated to the Executive Directors authority to exercise all the powers of the Bank except those reserved to the Governors under the Articles. The Executive Directors function as a board and each Executive Director is entitled to cast the number of votes of the member or members by which he was appointed or elected.

The President is selected by the Executive Directors. Subject to their general direction on questions of policy, he is responsible for the conduct of the business of the Bank and for the organization, appointment and dismissal of its officers and staff.

General Summary of Developments during the Period April 1, 1956-March 31, 1957

In the year ended March 31, 1957, Argentina and Viet-Nam became members of the International Bank for Reconstruction and Development and the International Monetary Fund, bringing membership in the two institutions to sixty countries.

During the period, the International Bank made 25 loans in 18 countries, totaling U.S. $580 million equivalent. Of these loans 5 were made in countries in which the Bank had not previously lent. This record total compares with lending of U.S. $315 million equivalent in the previous year. As of March 31, 1957, the amount of all loans made by the Bank since its inception was U.S. $3,063 million, of which U.S. $2,211 million had been disbursed. In the year under review, the Bank borrowed the equivalent of U.S. $221.5 million in the United States and Switzerland.

A notable feature of the Bank's lending operations in the period under review was the increased activity of the Bank in Asia and the Middle East, where lending totaled $222.7 million. Private

investors continued to acquire portions of the Bank's loans although the total amount taken up was smaller than in the previous year. Banks and other investors in the United States, Europe and Canada participated in 15 of the Bank's loans at the time they were made, in all cases without the Bank's guarantee. Private investors showed further interest in the Bank's operations, and in 2 operations the Bank took a minority participation, the private market making the majority investments.

As of March 31, 1957, total net earnings of the Bank amounted to U.S. $176.4 million and total reserves rose to U.S. $265.7 million. Because of the general rise in money rates in the world's major capital markets, the Bank's lending rates were increased in the middle of 1956 and at the end of the year it was decided that a further increase should be made to bring the rate to 5-1/2% including the Bank's 1% commission.

The Bank continued to provide assistance to a number of countries on specific problems and to post resident representatives in member countries to assist in dealing with development problems. During the year the International Finance Corporation came into being as an affiliate of the Bank, and the Economic Development Institute, an instrument of the Bank, concluded its second six-months' course and scheduled a third course to begin in October 1957.

Canadian Representation.

The Honourable Walter E. Harris, as then Minister of Finance, was the Canadian Governor of the Bank during the period under review, Mr. A.F.W. Plumptre, Assistant Deputy Minister, Department of Finance, was the Canadian Alternate Governor of the Bank. At the Sixth Regular Election of Executive Directors, held during the Annual Meeting of the Boards of Governors in 1956, Mr. Louis Rasminsky was re-elected Executive Director for Canada of the Bank. Mr. J.H. Warren was re-appointed as his Alternate in both institutions. On March 16, 1957, Mr. Alan B. Hockin was appointed Alternate Executive Director replacing Mr. Warren.

Membership

In the course of the year, Argentina and Viet-Nam, as new members of the Bank, subscribed to 1500 and 125 shares of capital stock, with a value of U.S. $150 million and U.S. $12.5 million, respectively. With these subscriptions and increases in the capital subscriptions of Brazil, Dominican Republic, Ecuador and Nicaragua, the subscribed capital of the International Bank totalled, on March 31, 1957, U.S. $9,265.4 million. At the same date the aggregate of quotas in the Fund was U.S. $8,931.5 million.

During the year, Sudan, Tunisia, Libya, Saudi Arabia and Ghana (Gold Coast) applied for membership in the Bank and Fund.

## Eleventh Annual Meeting

At the Eleventh Annual Meeting of the Board of Governors, held in Washington, D.C., the Governors reviewed operations for the fiscal year 1955-56 and discussed the Bank's policies. The President of the Bank laid particular stress upon the place of government in economic development, the need for objectivity in economic development, the importance of controlling inflation as countries increased the pace of development, the place of foreign investment in less-developed countries, the general rise in interest rates in the world's major money markets and the desire of the Bank to obtain additional 18% capital from members. The Inaugural Meeting of the Board of Governors of the International Finance Corporation also took place and reviewed the preparatory steps being taken by the Corporation preliminary to its commencement of operations.

## Lending Operations

During the period April 1, 1956 through March 31, 1957, the Bank made 25 loans in 18 countries totaling U.S. $580 million. This compares with lending of U.S. $315 million in the previous year. The amount of all loans made to March 31, 1957 was U.S. $3,063 million, of which U.S. $2,211 million had been disbursed. The following table (see Table I, page 6) shows the loans made during the year. Interest rates include the 1% commission which, under its Articles of Agreement, the Bank charges on all its loans. Where loans were not made directly to member governments, the governments in whose territories the projects were being financed have guaranteed the loans.

## Earnings and Reserves

The net earnings of the Bank in the twelve months ended March 31, 1957 amounted to approximately U.S. $33.7 million, which was transferred to the Supplemental Reserve against Losses on Loans and Guarantees. In addition, the Bank added U.S. $16.1 million to its Special Reserve during the period. On March 31, 1957, the Supplemental Reserve amounted to a total of approximately U.S. $176.4 million and the Special Reserve to approximately U.S. $89.3 million.

## Additional Funds Available for Lending from Capital Subscription

Funds available for lending by the Bank have been increased by the capital subscriptions of new members, increased capital subscriptions of old members, and releases of the 18% portion of capital subscriptions by a number of member countries. In the period the largest addition to lendable funds came from member countries' releases of the 18% portions of their capital subscriptions. As of March 31, 1957 the Bank had been able to allocate to loans the equivalent of U.S. $961 million from releases of 18% capital. As of March 31, 1957, Canada, the United States and Venezuela were the only member countries which had made the whole of their 18% subscriptions freely available for lending and relending.

TABLE _

| Member Country | Principal Amount (in millions) (U.S.) | Date of Agreement | Term | Interest 1/ Rate | Purpose |
|---|---|---|---|---|---|
| Norway | $25.000 | 3 May '56 | 20 years | 4-3/4% | Power |
| Burma | $ 5.350 | 4 May '56 | 15 years | 4-3/4% | Railway |
| Burma | $14.000 | 4 May '56 | 20 years | 4-3/4% | Port |
| Haiti | $ 2.600 | 7 May '56 | 10 years | 4-1/2% | Highway Maintenance |
| Finland | $15.000 | 22 May '56 | 20 years | 4-3/4% | Power |
| Nicaragua | $ 3.200 | 22 May '56 | 20 years | 4-3/4% | Port |
| Colombia | $16.500 | 6 Jun '56 | 15 years | 4-3/4% | Highways |
| United Kingdom (Federal Power Board, Rhodesia and Nyasaland) | $80.000 | 21 Jun '56 | 25 years | 5% | Power |
| India | $75.000 | 26 Jun '56 | 15 years | 4-3/4% | Steel |
| Costa Rica | $ 3.000 | 18 Sep '56 | 7 years | 4-3/4% | Agriculture and Industry |
| Austria | $10.000 | 21 Sep '56 | 20 years | 5% | Power |
| Austria | $21.000 | 21 Sep '56 | 25 years | 5% | Power |
| Italy | $74.628 | 11 Oct '56 | 20 years | 5% | Power, Irrigation and Industry |
| Thailand | $ 3.400 | 12 Oct '56 | 15 years | 4-3/4% | Port |
| Uruguay | $25.500 | 25 Oct '56 | 25 years | 5% | Power |
| Chile | $15.000 | 1 Nov '56 | 20 years | 5% | Power |
| Nicaragua | $ 1.600 | 15 Nov '56 | 15 years | 4-3/4% | Power (Suppl. Loan) |
| Australia | $ 9.230 | 15 Nov '56 | 10 years | 4-3/4% | Aircraft |
| Australia | $50.000 | 3 Dec '56 | 15 years | 4-3/4% | Agriculture and Industry |
| Japan | $20.000 | 19 Dec '56 | 15 years | 5% | Steel Strip Mill |
| Japan | $ 4.300 | 19 Dec '56 | 15 years | 5% | Land Reclamation |
| India | $20.000 | 19 Dec '56 | 11 years | 5% | Expansion Steel Production |
| Iran | $75.000 | 22 Jan '57 | 5 years | 5% | Interim financing for development plan |
| India | $ 5.600 | 5 Mar '57 | 10 years | 5-1/2% | Purchase Aircraft |
| Peru | $ 5.000 | 13 Mar '57 | 8 years | 5-1/2% | Agricultural Credits |
| 25 loans in 18 countries | $579.908 | | | | |

1/ Includes 1% commission.

## Sale and Redemption of Securities

The new bond issues, which were offered by the Bank during the period April 1, 1956 to March 31, 1957, are set forth in Table II.

Table II

Bond Issues Offered by the Bank During Period April 1, 1956 to March 31, 1957

| Issue and Maturity | Date of Issue | Principal Outstanding U.S.$ | Annual Sinking Fund Requirements |
|---|---|---|---|
| 3-1/2% Two Year Bonds of 1956, due Oct. 1, 1958 | Oct. 1, 1956 | $75,000,000 | None |
| 4-1/2% Twenty Year Bonds of 1957, due Jan. 1, 1977 | Jan. 1, 1957 | $66,751,000 | $5,000,000, beginning July 1, 1967 |
| 3-3/8% Swiss Franc Loan of 1957, due 1960-65 | Jan. 1, 1957 | $46,538,685 | None |

The Bank has entered into agreements to sell additional bonds of the 4-1/2% Twenty Year Bonds of 1957 in an aggregate principal amount of $33,249,000. Delivery of such bonds will be made and payment therefor will be received by the Bank at various dates to and including October 1, 1959. This is the first time that the Bank has sold bonds on a deferred delivery basis.

The total of the Bank's issues outstanding on March 31, 1957 was the equivalent of U.S. $948.5 million, of which U.S. $747.3 million was denominated in U.S. dollars, U.S. $36.4 million in Canadian dollars and remainder in Sterling, Netherlands guilders and Swiss francs.

Sales of Bonds from the Bank's Portfolio

During the period April 1, 1956 to March 31, 1957, the Bank sold or agreed to sell to private investors the equivalent of U.S. $61.2 million principal amount of loans it had made. This compares with sales of U.S. $90.3 million in the year 1955-56 and $76.5 million in the year 1954-55. With the exception of $84,000, all sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank on March 31, 1957 aggegated U.S.$319.7 million, of which U.S. $112.7 million had been retired by the borrowers.

Of the 25 loans made in the 12 months up to March 31, 1957, 15 attracted private participations. Private investors also showed interest in joint operations with the Bank by buying bond issues for aircraft purchases of two borrowers, who at the same time received loans from the Bank to cover portions of the cost of these purchases.

Technical Assistance Activities

Since the beginning in 1949 of its program of organizing general survey missions 19 Bank missions, at the request of individual member countries, have made studies on their economic development in general or in special fields. In the year under review, the reports of Bank missions which visited Jordan and Italian Somaliland and of the agricultural survey mission to Colombia were completed and despatched to the governments concerned. The report of the resident mission to Panama was in preparation at the end of the year. At the request of the Government of Thailand, preparations were begun for a survey mission to go to that country about July 1, 1957.

The results of the Bank's mission program cannot be fully measured because many of its important accomplishments have been in terms of general influence on the approach to development in the countries concerned and on the effectiveness with which countries deal with these problems. Nevertheless a substantial number of specific accomplishments can be attributed in whole or in part to the work of Bank missions. Some of the results of the work of Bank missions are apparent in the highway programs in Colombia and Honduras, newly-undertaken railway rehabilitation in Jamaica, income tax legislation and the establishment of a development financing institution in Nicaragua, changes in the education program in Malaya, adoption of federal and regional development programs and reorganization of development institutions in Nigeria, the preparation of a five-year investment

program in Guatemala, and the reorganization of public debt administration in Syria.

Apart from general survey missions and related activities, the Bank continued during the period to provide assistance to a number of countries on specific problems. The Bank continued its collaboration in an analysis of Mexico's future power needs and of ways in which the necessary development could be financed. Missions visited Pakistan to reappraise that country's development plans and discuss a proposal to establish a privately-owned industrial credit and investment company. Ceylon received assistance in respect of its Development Finance Corporation. The Bank sent a mission to Ruanda-Urundi to assist the authorities in the revision of the ten-year development program there. A mission sent to Colombia to study the public investment program prepared rather detailed recommendations for an investment program for the next few years. A mission went to Mexico in February to analyze the Government's two-year investment program, and another mission visited India to study the current economic situation and prospects, with particular reference to the first five-year plan and the targets of the second five-year plan.

The Bank continued its policy of posting resident representatives in member countries to assist in dealing with development problems; such experts were stationed in Colombia, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Panama and Perú.

The joint study by the Governments of India and Pakistan and the Bank, of the problems of water distribution and supply in the Indus Basin, continued in the period under review.

In the 12-month period, the Bank, as in the past, provided opportunities for trainees from member countries to come to the Bank to become familiar with its operations.

The Economic Development Institute, set up with the objective of contributing to an improvement in the quality of economic management in government and helping officials from less-developed countries to equip themselves for dealing with the practical problems of development, concluded its first six-month course in June 1956. The first course had fourteen participants; the second course, which began in October 1956, was attended by twenty officials occupying senior posts in Afghanistan, Brazil, Burma, Ceylon (2), Ecuador, Egypt, Guatemala, Honduras, India, Indonesia, Jamaica, Jordan, Korea, Madagascar, Morocco, Pakistan (2), Tanganyika and Turkey. Two members of the staff of the Bank also attended the course. A third course is scheduled to begin in October 1957.

# INTERNATIONAL FINANCE CORPORATION

## General Background

The International Finance Corporation began operations in July 1956, as an international financial institution with an authorized capital of U.S. $100 million. Of that total $90.4 million had, by March 31, 1957, been subscribed by the governments of 47 countries.

IFC is authorized to borrow funds by the sale of its own bonds or obligations, but it has not yet made use of this authority. Hence its funds immediately available for investment are limited to the amount of its subscribed capital.

IFC's objective is to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in the less developed areas. It seeks to accomplish this end by:

(1) Investing in productive private enterprises, in association with private investors and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms;

(2) Serving as a clearing house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and

(3) Helping to stimulate the productive investment of private capital, both domestic and foreign.

IFC operates as an affiliate of the International Bank for Reconstruction and Development, although it is a separate legal entity and its funds are entirely separate and distinct from those of the Bank. Membership in IFC is open only to governments which are members of the Bank. Those Executive Directors of the Bank who represent at least one government which is a member of IFC serve as Directors of IFC. The President of the Bank serves *ex officio* as Chairman of the Board of Directors of IFC.

IFC has its own President, appointed by the Board of Directors on the recommendations of the Chairman, and its own officers and staff.

Industrial, agricultural, financial, commercial and other private business enterprises are eligible for IFC financing. IFC does not invest in housing or hospitals, schools or other types of ventures which are primarily social in character. Nor does it normally invest in basic public utilities of a type appropriate for financing by the

World Bank as, for example, electric power, transportation, irrigation, reclamation and drainage projects. It does not engage in operations which are essentially for purposes of refunding or refinancing.

IFC is authorized to make investments in any form it deems appropriate with the single exception that it may not invest in capital stock or shares. Because of this exception IFC's investments take the form of loans but they do not normally consist of conventional fixed interest loans. Since IFC is intended to revolve its funds by sales of its investments, a principal objective in each case is to obtain securities or contractual rights (e.g. rights to subscribe to capital stock or shares or to convert the investment into stock or shares) of a character attractive to private investors. IFC usually provides at least a substantial part of the funds which it invests in any enterprise on a basis approximating venture capital and seeks to obtain financial returns appropriate to that type of investment.

Accordingly, IFC seeks, wherever practicable, to obtain convertible debentures, subscription warrants or some other form of rights to obtain capital stock or shares. Although under its charter such rights cannot be exercised by IFC itself (except to protect its investment from being jeopardized) they can be sold to and exercised by a purchaser.

## Canadian Representation

Canada's representatives on the Board of Governors of the International Bank for Reconstruction and Development during the period under review, the Honourable Walter Harris and Mr. A.F.W. Plumptre, served ex officio on the Board of Governors of the International Finance Corporation as Governor and Alternative Governor respectively. Mr. Louis Rasminsky, Executive Director for Canada in the International Bank served ex officio in the same capacity in the International Finance Corporation. Mr. J. H. Warren served ex officio as Alternative Executive Director in the Corporation until March 15, 1957, when he was replaced by Mr. A. B. Hockin.

## Inaugural Meeting

The Inaugural Meeting of the Board of Governors of the International Finance Corporation was held on September 24, 1956 in Washington, D.C., in conjunction with the Eleventh Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development.

Investment Operations

Although no project had advanced to the state of active negotiations, and no investments had yet been made, numerous investment proposals were being received in the fields of industry and mining, mainly from Latin America, Asia and the Middle East. (Since the end of the period covered by this report, several of these proposals have resulted in investments by the Corporation).

Earnings

The capital paid in by members was invested in U.S. Government short-term obligations and as at March 31, 1957, the Corporation had received $1,633,793 as interest thereon. Deducting expenses to the same date of $546,020, the Corporation had a net income of $1,087,773.

# THE INTERNATIONAL MONETARY FUND

## General Background

The International Monetary Fund is an association of nations that have undertaken, by accepting the Fund Articles of Agreement, to promote international monetary cooperation and the expansion of world trade.

Among the ways in which members of the Fund work together to accomplish these goals are:

(a) By promoting exchange stability, and by providing a procedure for orderly adjustment of foreign exchange rates;

(b) By insuring that any major changes in exchange practices will be submitted to international consultation before being put into effect; and

(c) By working toward the removal of restrictions on current exchange transactions.

The three principal methods by which the Fund works to achieve its objectives are: (1) by affording a continuous monetary conference in the meetings of its Board of Directors where full consultation on monetary and exchange matters may be conducted; (2) by furnishing, upon request, expert technicians to advise and assist members in working out their financial and monetary problems; and (3) by making its foreign exchange resources available, under proper safeguards, to its members to meet short-term, current payments difficulties. In all these activities, the Fund seeks to help its members find practical solutions to their foreign exchange problems that will be in accord with the cooperative principles of the Articles of Agreement.

Through consultation with its members, the Fund applies an international code of conduct in the exchange field. It is becoming recognized that, in currency, exchange and international trade, the interests of the community as a whole are, in the long run, the interests also of each member of the community.

The Fund encourages and may initiate consultations with individual members on their international financial situation, or it may bring together the views of all members on specific monetary problems. In signing the Articles of Agreement, member Governments have accepted a set of standards for their conduct of financial and exchange affairs. Members consult with the Fund to ensure that their monetary and exchange policies are in accord with their obligations under the Agreement. Consultation has taken place on such matters as par values for members' currencies, multiple rate systems and exchange discrimination and restrictions.

The Fund is responsible, under its Articles of Agreement, for keeping under review the financial and monetary conditions of member countries. Members are required by the Articles to provide the Fund with detailed economic and financial information.

By these means -- consultation through the Board of Executive Directors, direct technical discussions and staff studies--Fund members are kept constantly informed about the changing financial scene throughout the world. Regardless of their size or degree of

technical advancement, they have access to competent advice based upon the accumulated experience and knowledge which the Fund brings to bear upon its problems.

The Fund has maintained an extensive program of technical assistance through staff missions to many parts of the world and provides studies, reports and publications on international financial subjects.

It has advised countries on changes in par values or exchange rates, modifications in multiple currency practices and exchange restrictions, and on questions of monetary, credit and fiscal policy that have an important bearing on international payments. Its technicians have assisted members in establishing or adapting to their needs institutional machinery such as central banking and exchange systems. With many countries the Fund has conferred on techniques for improving their collection and presentation of financial statistics. It has discussed with members the monetary impact of development programs, levels of monetary reserves, use of Fund resources, gold transactions and other questions important to economic development and harmonious international monetary relations.

The Fund sells foreign exchange to members, under certain conditions, out of the currencies it holds. Among these conditions, sales are limited as a general rule to 25% of a member's quota in any 12 months. In some circumstances, a waiver may be granted to permit larger purchases. A member purchasing foreign exchange from the Fund pays with its own currency. The Fund's Articles of Agreement prescribe conditions under which members must repurchase their own currency from the Fund with gold or with convertible currencies. These provisions are to ensure that the Fund will maintain a desirable level of currencies of all members so these resources will be constantly available to the members for their foreign exchange needs.

Since a Fund policy statement of February 1952, Fund purchases of a member's currency are expected to be repurchased within a period not exceeding 3 to 5 years or reduced by the purchase of the member's currency by another member. It has been agreed also that members may obtain stand-by arrangements assuring them of drawings of Fund resources up to specified limits, and within a period not exceeding one year.

Sales of currency from March 1, 1947 to March 31, 1957, included Belgian francs, British pounds, West German deutsche marks, U.S. dollars and Canadian dollars with a total value equivalent to $2,165.5 million. Repurchases up to that date amounted to $1,121.7 million in gold and U.S. dollars.

The highest authority of the Fund is exercised by the Board of Governors, one Governor and an Alternate Governor representing each member country. Normally, the Board of Governors meets once a year, and this constitutes an Annual Meeting of the important financial officials of member countries.

work of the U.N. Secretariat, the Economic and Social Council, and the Economic Commissions for Europe, for Asia and the Far East, and for Latin America. This has been done through participation of Fund officials at their meetings and through joint working parties, missions and study groups.

Coordination with the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) is continuous.

Membership

Argentina became a member of the Fund on September 20, 1956, with a quota of $150 million and Viet-Nam on September 21, 1956, with a quota of $12.5 million.

There are now 60 members in the Fund and the aggregate of their quotas is $8,931.5 million.

On June 20, 1956, the Republic of the Sudan applied for membership in the Fund and has until September 30, 1957, to accept membership.

Other countries which have submitted applications for membership in the Fund are Ghana, the United Kingdom of Libya, Morocco, Saudi Arabia and Tunisia.

Use of the Fund's Resources

After a review of the structure and level of Fund charges, the Executive Board decided in May 1956 to continue the schedule of charges, in effect since January 1, 1954, for six months ending December 31, 1956. Further consideration of the schedule of charges was undertaken in connection with an over-all review of the use of the Fund's resources since the beginning of operations, and on December 21, 1956, the existing schedule was extended through December 31, 1957.

Members' exchange transactions with the Fund from April 1, 1956 through March 31, 1957, were as follows:

Drawings

| | |
|---|---|
| Bolivia | US $ 4,000,000 |
| Cuba | 22,500,000 |
| Egypt | 30,000,000 * |
| El Salvador | 2,500,000 |
| France | 100,000,000 |
| Honduras | 2,500,000 |
| India | 127,500,000 |
| Indonesia | 55,000,000 |
| Iran | 19,700,000 |
| Nicaragua | 1,877,648.76 |
| Paraguay | 2,000,000 |
| Philippines | 5,000,000 |
| United Kingdom | 561,470,000 |
| | US $934,047,648.76 |

Repurchases

| | |
|---|---|
| Brazil | US $ 27,987,654.91 |
| Ceylon | 1,987,434.18 |
| Chile | 169,608.91 |
| Denmark | 1,844,210.65 |
| El Salvador | 2,495,507.95 |
| Finland | 3,343,832.34 |
| France | 67,910,551.23 |
| India | 12,500,000.00 |
| Indonesia | 27,000,505.93 |
| Iran | 3,210,055.27 |
| Turkey | 7,000,000.00 |
| | US $155,449,361.37 |

* This represents two drawings, the first of which was for Canadian dollars equivalent to US$15,000,000 (Can$14,646,090).

Use of the Fund's Resources (Continued)

The stand-by arrangements with Belgium, Chile and Peru permitting drawings up to $50 million, $35 million and $12.5 million, respectively, continued in effect during the period under review. On February 6, 1957, the stand-by arrangement with Chile was extended through February 17, 1958, and on March 20, 1957, the arrangement with Peru was extended through March 31, 1958. No drawings have been made under these arrangements. New stand-by arrangements were agreed by the Fund with the following seven members:

On November 29, 1956, Bolivia entered into a stand-by agreement with the Fund which permits Bolivia to purchase from the Fund during the following 12 months currencies equivalent to $7.5 million. Under this stand-by arrangement, a drawing of $3 million was made on December 21, 1956, and of $1 million on January 15, 1957, as shown above.

On December 6, 1956, Cuba entered into a stand-by arrangement permitting drawings up to $12.5 million during a period of six months. Under this stand-by arrangement, a drawing of $10 million was made on February 8, 1957. A gold tranche drawing of $12.5 million was made prior to the stand-by agreement.

On October 17, 1956, France entered into a stand-by arrangement permitting drawings up to $262.5 million during a period of 12 months. Under this stand-by agreement, drawings of $40 million and $60 million were made on February 14 and March 14, 1957, respectively.

On February 7, 1957, India entered into a stand-by arrangement permitting drawings up to $72.5 million during the 12 month period starting March 11, 1957. India also arranged at the same time to purchase $60 million on February 8, 1957 and $67.5 million on March 11, 1957.

On May 18, 1956, Iran entered into a stand-by arrangement permitting drawings up to $17.5 million during a period of six months. Under this arrangement, a first drawing of $12 million was made on July 25, 1956, and a second drawing of $5.5 million was made on September 26, 1956. Subsequent to a repurchase of $3.2 million on November 14, 1956, a drawing of $2.2 million was made on November 16, 1956.

On November 21, 1956, Nicaragua entered into a stand-by arrangement permitting drawings up to $3.75 million during a period of six months. Under this arrangement, a drawing of $1,877,648.76 was made on December 17, 1956.

Effective December 22, 1956, the United Kingdom entered into a stand-by arrangement permitting drawings

up to $738.53 million during a period of 12 months. This is in addition to the drawings of $250 million and $311,470,000 made on December 12 and 21, 1956, respectively.

Nearly all of these transactions and stand-by arrangements were in amounts exceeding 25 per cent of the members' quotas and, therefore, required the use of the waiver provision under Article V, Section 4, of the Fund Agreement.

During the period June 1952 through March 31, 1957, stand-by credits were arranged with 12 members in amounts totaling $1,267,280,000. This amount has been reduced during the period by drawings and terminations in amounts totaling $188,377,648.76, leaving outstanding credits still available of $1,078,902,351.24.

To date, monetary reserves information as of April 30, 1956, has been submitted by 51 members. Nine members have been notified of a repurchase obligation.

From March 1, 1947, when the Fund commenced operations, through March 31, 1957, the Fund effected transactions equivalent to $2,165.5 million on behalf of 31 members. Of the total of $2,165.5 million drawn from the Fund, $1,121.7 million have been repaid to the Fund either through repurchases by members that had drawn upon the Fund or through drawings by other members of currencies of members that had purchased from the Fund. Of the remaining $1,063.2 million, $687.5 million fall within the gold tranches of the members concerned. Of the $1,032.9 million repurchased by members, $324.6 million were mandatory repurchase obligations in accordance with Article V, Section 7(b), of the Fund Agreement, while $708.3 million were voluntary repurchases.

On March 31, 1957, the Fund's holdings of member currencies (including non-negotiable, non-interest-bearing notes) amounted to the equivalent of US$6,458.3 million, of which $1,162.5 million was in U.S. dollars. The Fund's total holdings of gold and convertible currencies amounted to US$3,157.6 million, of which US$1,638.3 million were in gold. The largest holding of convertible currencies other than U.S. dollars was in Canadian dollars equivalent to $210 million.

As authorized in January 1956, approximately $200 million of the Fund's gold was invested in short-term U.S. Government securities.

As of March 31, 1957, the Fund sold part of its own gold for $300 million, thus replenishing its holdings of U.S. dollars in this amount.

The extension to the International Finance Corporation of the Fund's gold transactions service was authorized on November 21, 1956. Since the inception of this service in February 1952, transactions equivalent to $563 million have been completed.

## Increase in Quotas

During the period under review, the quotas of four members were increased. Ecuador's quota and that of the Dominican Republic were increased from $5 million to $10 million on August 8 and September 25, 1956, respectively; Nicaragua's quota from $2 million to $7.5 million on October 17, 1956; and Israel's quota from $4.5 million to $7.5 million on March 6, 1957.

Haiti has requested that its quota be increased from $2 million to $7.5 million.

## Gold Subsidies

Canada informed the Fund in December 1956 of the extension of the provisions of its Emergency Gold Mining Assistance Act through 1958.

The Government of the Philippines modified and extended until July 18, 1957, its Emergency Gold Mining Assistance Act.

## Establishment of Par Values

Initial par values for the Argentine peso at 18.0000 pesos per U.S. dollar and for the Israel pound at 1.80000 pounds per U.S. dollar were established by agreement between the Governments of Argentina and of Israel and the Fund on January 9 and March 13, 1957, respectively.

## Changes in Exchange Systems

The more important changes in members' exchange systems include the following:

> Bolivia. The Government of Bolivia consulted the Fund regarding a comprehensive economic stabilization program which went into effect on December 15, 1956. The program provided for a fundamental reform of the exchange system and procedures for exchange stabilization. The new exchange system is based on a unified, fluctuating exchange rate, replacing the complex multiple rates that previously existed. Trade and exchange restirctions are being removed. The Central Bank of Bolivia intends to permit the boliviano to find an appropriate level in the free market as quickly as possible, with the Bolivian authorities intervening in the market whenever necessary to avoid excessive variations arising from temporary factors.
>
> Brazil. The Government of Brazil consulted the Fund in May 1956 regarding changes in its export bonus arrangements involving both commodity classifications and rates of bonus.

Changes in Exchange Systems (Continued)

Chile. In April 1956, Chile effected a considerable simplification of its multiple rate structure and abolished its import licensing system. This was part of a general program intended to re-establish the stability of the Chilean economy.

China. Effective September 1, 1956, the diplomatic rate, which is applicable to a limited volume of transactions and is subject to revision, when deemed necessary, from month to month, was changed from NT$35 to NT$34 per U.S. dollar. On October 24, 1956, this rate was made applicable to remittances to Taiwan by foreigners and overseas Chinese for investment purposes. The rate was changed again, effective March 1, 1957, from NT$34 to NT$35 per U.S. dollar.

Colombia. In April 1956, Colombia consulted the Fund with regard to shifting a number of import commodities within the categories of its exchange regulations and abolished the regulations enabling bilateral balancing and private barter arrangements. Measures were taken to curb domestic monetary expansion and to restrain import demand. In December 1956, it consulted further with the Fund on proposed changes under its restrictive system in the scope of transactions in the free market. These changes made outgoing capital payments by residents and certain other invisible transactions subject to license.

Ecuador. Ecuador consulted the Fund in March 1957 on a unification of the two free markets through removal of the controlled free rates of S/17.30 and S/17.40 per dollar. The corresponding transactions will be effected at the uncontrolled free rate of about S/19 - S/19.06.

Iceland. The Government of Iceland consulted the Fund in December 1956 regarding the introduction of certain changes in its exchange system. The import certificate system was abolished, a 16 per cent tax on the sale of foreign exchange for commodities and invisible (with certain exemptions) was introduced, and the fee payable on licenses for foreign exchange for tourism and business travel was increased. The proceeds of the tax and the fee accrue to an Export Fund from which payments are made to producers of export commodities.

Indonesia. The Indonesian Government consulted the Fund in August 1956 regarding the introduction of a new system of export bonuses to stimulate export trade. The bonuses are paid in the form of negotiable certificates (BPE) for foreign exchange ranging in value from 3 per cent to 20 per cent of the f.o.b. proceeds of about 30 different export products, including rubber, copra, coffee and tea. The exchange certificates may be used for the importation of certain products for which no foreign exchange was previously made available, for travel abroad and for certain other purposes. Effective September 3,1956,

Changes in Exchange Systems (Continued)

Indonesia modified further the system of export inducement certificates and reclassified imports for the purpose of fixing levies (TPI certificates).

Israel. In December 1956, the Government of Israel consulted the Fund regarding an alteration in the rate of exchange for books, magazines, and newspapers from an effective rate of IL1 to IL1.40 per U.S. dollar.

Nicaragua. The Government of Nicaragua consulted the Fund in December 1956 concerning the alteration of the exchange rate applicable to the export proceeds from cotton covering the period December 1, 1956 to October 31, 1957, the rate applicable being dependent on cotton prices.

Paraguay. Paraguay requested Fund approval of a measure waiving the exchange surrender requirement for citrus fruit exports, thereby temporarily shifting these exports to the free market. The Fund did not object to the maintenance of this measure until July 31, 1956.

Turkey. On October 8, 1956, the Turkish authorities revised the deblockage exchange system, a multiple currency practice by which transfers of capital assets and earnings accruing from such assets, provided they were not covered by the Law to Encourage Foreign Investments, were subject to a blocking arrangement. Instead of providing that deblockage transactions should be carried out at rates negotiated between banks and exporters, the new system provides for exchange rates fixed by the authorities. The same rates will be applied to other specified transactions for which hitherto the official rate had to be used.

Uruguay. Uruguay informed the Fund of the establishment, effective August 3, 1956, of a certificate free market for imports and exports, the shift of import items other than essential goods to the free certificate market, and of the classification of export items into 11 groups to which varying mixing arrangements and thus different effective exchange rates apply.

Consultations

The Seventh Annual Report on Exchange Restrictions, published in July 1956, presented a survey of developments in exchange restrictions throughout the world during the previous 12 months and described the main features of the exchange system of each Fund member and of nine other countries.

The fifth series of consultations with members on the further retention of their restrictive practices began in April 1956. Of the 60 members of the Fund, 49 have an obligation to consult under Article XIV of the Articles of Agreement of the Fund. The consultations, which have taken place either in the member country or in Washington, have provided opportunities for discussion not only of the economic and financial problems which have given rise to restrictive and discriminatory practices, but also of the possibilities of further relaxation. The Fund is continuing its endeavours to help in the elimination of restrictions and much of its effort has been spent on advice and assistance to members that are trying to advance toward the re-establishment of a multilateral system of payments.

## Technical Assistance

During the past 12 months, the staff visited 48 member countries for the purpose of consultation under Article XIV of the Fund Agreement and to provide technical assistance in relation to problems that fall within the Fund's sphere of competence or to exchange views and information. A number of comprehensive reports have been prepared on particular aspects of the economies of certain member countries. In addition, several members of the staff were granted leave for special assignments at the request of certain members. Among these was Mr. Roger Anderson, who accepted a temporary assignment with the Royal Commission on Canada's Economic Prospects.

## Training Program

The Fund's training program is intended to provide qualified nationals of member countries with technical training related to activities with which the Fund is concerned. The most recent program, begun in September 1956, has 20 participants from the following countries: Afghanistan, Austria, Chile, Dominican Republic, Egypt, El Salvador, Ethiopia, France, Honduras, India, Indonesia, Jordan, Korea, the Netherlands, Norway, Panama, Peru, the Philippines, Singapore and Thailand. To date, 119 nationals of 54 member countries have studied the organization, operations, and objectives of the Fund, have received training in balance of payments and other statistical and research techniques, and have studied the economies of selected countries and regions.

## Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has continued to maintain close relations with the United Nations and its regional and technical bodies, and other international agencies, particularly the Organization for European Economic Co-operation and the CONTRACTING PARTIES

to the General Agreement on Tariffs and Trade. These relations involve direct working contacts with the staffs of these agencies, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings.

## Information

A brochure, The First Ten Years of the International Monetary Fund, published in August 1956, reported on the operations of the Fund and its role in the development of international monetary cooperation during the first decade of its activities.

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To His Excellency,

The Right Honourable Vincent Massey, C.H.,

Governor General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreement Act during the fiscal year 1957-58.

All of which is respectfully submitted.

Donald M. Fleming,
Minister of Finance.

Ottawa, June 23, 1958.

REPORT

ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENT ACT

DURING THE

FISCAL YEAR 1957-58.

## Introductory Note

The present report includes a brief description of the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation, as well as a survey of their operations during the period April 1, 1957 - March 31, 1958.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Bank and the International Monetary Fund, was authorized by the Bretton Woods Agreement Act, 1945 (9-10 George VI, Chapter 11).

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The three organizations are closely linked in membership and general fields of endeavour. Membership in the International Bank for Reconstruction and Development is a prerequisite for membership in the International Finance Corporation; and membership in the International Monetary Fund is a prerequisite for membership in the International Bank. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the three organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all three organizations in a group of buildings in Washington, D.C.

# THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## eneral Background

The International Bank for Reconstruction and Development is an nternational organization, the members of which are governments. t was established and is operating under Articles of Agreement signed y those governments. The Bank officially began operations on June 5, 1946.

On accepting membership in the Bank, each member subscribes to hares of the capital stock of the Bank. Accordingly, the Bank's embers are its stockholders.

The principal purposes of the Bank may be summarized as follows:

(a) To assist in the reconstruction and development of its member countries by facilitating the investment of capital for productive purposes, thereby promoting the long-range balanced growth of international trade and the improvement of standards of living;

(b) To promote private foreign investment by guarantees of and participations in loans and other investments made by private investors; and

(c) When private capital is not available on reasonable terms, to make loans for productive purposes out of its own resources or funds borrowed by it.

In carrying out those purposes, the Bank has engaged in two rincipal types of financing operations. First, it has made loans for roductive purposes to finance, in whole or in part, the foreign xchange costs of programs and projects of reconstruction and evelopment. Second, it has raised funds in the private market y issuing its own obligations and by selling, mainly without its uarantee, securities under loans it has granted.

The total authorized capital stock of the Bank is $10,000 illion, in terms of U.S. dollars of the weight and fineness in ffect on July 1, 1944. It is divided into 100,000 shares of the par alue of $100,000 each. Total subscribed capital, as of March 31, 958, was $9,358.4 million.

From the standpoint of the manner and amount of payment of the ubscriptions and the purposes for which subscribed capital can be sed by the Bank, the subscription of each member is divided into hree parts:

(1) 2% of each subscription is payable in gold or U.S. dollars. These funds may be freely used by the Bank in any of its operations. With one exception, each member has paid such 2% of its subscription.

(2) 18% of each subscription is payable in the currency of the subscribing member. These funds may be loaned only with the consent of the member whose currency is loaned. Approximately $1,100 million of this capital had been made available to the Bank in usable form by March 31, 1958. This includes the complete release of Canada's 18% subscription.

(3) The remaining 80% of each subscription is subject to call by the Bank only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it. It is thus not available for use by the Bank in making loans. Payments on any such call may be made, at the option of the particular member, either in gold, in U.S. dollars or in the currency required to discharge the obligations of the Bank for which the call is made.

The other chief source of funds has been the sale of bonds of ne International Bank on the financial markets of the world. e net funded debt of the Bank on March 31, 1958, was pproximately $1,405.0 million.

The Bank's lending operations have conformed generally to ve principles derived from the provisions of the Articles. ey are:

(a) The Bank makes loans either to member governments or to governmental authorities or agencies or private enterprises in the territories of member governments. A loan which is not made directly to the government in whose territories the project being financed is located must be guaranteed as to principal, interest and other charges by the government or its central bank or a comparable agency of the government acceptable to the Bank. In practice a guarantee by the government itself has been required in all cases.

(b) Loans must be for productive purposes. Loans which, in the Bank's opinion, cannot be justified on economic grounds are excluded.

(c) In making loans, the Bank must act prudently and pay due regard to the prospects of repayment.

(d) The Bank does not make loans which are obtainable in the private market on reasonable terms. Since the Bank is intended to promote private investment, not to compete with it, it does not undertake business which private investors are willing to transact on a reasonable basis.

(e) The use of loan proceeds is supervised. The Bank makes arrangements to ensure that funds loaned are used only for authorized purposes, with due attention to considerations of economy and efficiency.

The Bank's administration is composed of the Board of Governors, ne Executive Directors, and the President, other officers and taff.

All the powers of the Bank are vested in the Board of Governors hich consists of a Governor and an Alternate Governor appointed by ach member of the Bank who exercise the voting power to which that ember is entitled. Each member is entitled to 250 votes plus ne vote for each share held. The Board holds regular Annual eetings.

There are 17 Executive Directors, of whom five are appointed, ne by each of the five members having the largest number of shares f capital stock (the United States, the United Kingdom, China, rance and India), and the remaining 12 are elected by the Governors epresenting the other members. The Board of Governors has elegated to the Executive Directors authority to exercise all he powers of the Bank except those reserved to the Governors under he Articles. The Executive Directors function as a board and each xecutive Director is entitled to cast the number of votes of the ember or members by which he was appointed or elected.

The President is selected by the Executive Directors. Subject o their general direction on questions of policy, he is esponsible for the conduct of the business of the Bank and for he organization, appointment and dismissal of its officers and taff.

eneral Summary of Developments during the Period April 1, 1957 - arch 31, 1958

In the year ended March 31, 1958, Ghana, Ireland, Malaya, audi Arabia and the Sudan became members of the International ank for Reconstruction and Development and the International onetary Fund, bringing membership in the two institutions to ixty-five countries.

During the period, the International Bank made 27 loans in 5 countries, totaling U.S. $524 million equivalent. Of these oans, one was made in the Philippines, a country in which the ank had not previously lent. This total compares with lending f U.S. $580 million equivalent in the previous year. As of arch 31, 1958, the amount of all loans made by the Bank ince its inception was U.S. $3587 million, of which U.S. $2703 illion had been disbursed. In the year under review, the ank borrowed U.S. $510.0 million in United States dollars.

Private investors continued to acquire portions of the Bank's oans. Banks and other investors in the United States, Europe nd Canada participated in 16 of the Bank's loans at the time hey were made, in all cases without the Bank's guarantee.

As of March 31, 1958, total net earnings of the Bank amounted o U.S. $226.7 million and total reserves rose to U.S. $335.2 illion. Because of the general rise in money rates in the world's ajor capital markets, the Bank's lending rates were increased in 957 but at the end of the year it was decided to decrease the rate o 5-1/2% including the Bank's 1% commission.

The Bank continued to provide assistance to a number of countries on specific problems and to post resident representatives in member countries to assist in dealing with development problems. During the year the Economic Development Institute, an instrument of the Bank, concluded its third six-months' course and scheduled a fourth course to begin in October 1958.

Canadian Representation

The Honourable Donald Methuen Fleming, Minister of Finance, replaced the Honourable Walter E. Harris as Governor of the Bank on June 28, 1957. Mr. A.F.W. Plumptre, Assistant Deputy Minister, Department of Finance, was the Canadian Alternate Governor of the Bank. Mr. Louis Rasminsky's term of office as elected Executive Director for Canada continued through the period under review. Mr. Alan B. Hockin was his Alternate.

Membership

In the course of the year, Ghana ($15m.) Ireland ($30m.) Malaya ($25m.) Saudi Arabia ($10m.) Sudan ($10m.) as new members of the Bank, subscribed to 900 shares of capital stock, with a value of U.S. $90 million. With these subscriptions and increases in the capital subscription of Israel, the subscribed capital of the International Bank totalled, on March 31, 1958, U.S. $9,358.4 million. At the same date the aggregate of quotas in the Fund was U.S. $9,041.0 million.

During the year, applications of Libya, Morocco and Tunisia for membership in the Bank and Fund were approved by the Boards of Governors.

Twelfth Annual Meeting

At the Twelfth Annual Meeting of the Board of Governors, held in Washington, D.C., the Governors reviewed operations for the fiscal year 1956-57 and discussed the Bank's policies. The President of the Bank emphasized the need for balance - between consumption and investment, between productive and non-productive investment, between industry and agriculture, and between investment to increase export earnings and investment for the home market. The importance of balance, he felt, was particularly great in the face of inflationary pressures and a shortage of capital in underdeveloped countries.

Lending Operations

During the period April 1, 1957 through March 31, 1958, the Bank made 27 loans in 15 countries totaling U.S. $524 million. This compares with lending of U.S. $580 million in the previous year. The amount of all loans made to March 31, 1958 was

U.S. $3587, of which U.S. $2703 million had been disbursed. The following table (see Table I, page 6) shows the loans made during the year. Interest rates include the 1% commission which, under its Articles of Agreement, the Bank charges on all its loans. Where loans were not made directly to member governments, the governments in whose territories the projects were being financed have guaranteed the loans.

Earnings and Reserves

The net earnings of the Bank in the twelve months ended March 31, 1958 amounted to approximately U.S. $42.2 million, which was transferred to the Supplemental Reserve against losses on Loans and Guarantees. In addition, the Bank added U.S. $19.2 million to its Special Reserve during the period. On March 31, 1958, the Supplemental Reserve amounted to a total of approximately U.S. $226.7 million and the Special Reserve to approximately U.S. $108.5 million.

Additional Funds Available for Lending from Capital Subscription

Funds available for lending by the Bank have been increased by the capital subscriptions of new members, increased capital subscriptions of old members, and releases of the 18% portion of capital subscriptions by a number of member countries. In the period the largest addition to lendable funds came from member countries' releases of the 18% portions of their capital subscriptions. As of March 31, 1958 the Bank had been able to allocate to loans the equivalent of U.S. $1,160 million from releases of 18% capital. As of March 31, 1958, Canada, the United States, Costa Rica, El Salvador, Germany and Venezuela were the only member countries which had made the whole of their 18% subscriptions freely available for lending and relending.

TABLE I

| Member Country | Principal Amount (in millions) (U.S.) | Date of Agreement | Term | Interest 1/ Rate | Purpose |
|---|---|---|---|---|---|
| Netherlands | $ 15.000 | 15 May '57 | 5 years | 5 5/8% | Industry and Transport |
| India | $ 9.800 | 29 May '57 | 18 years | 5 5/8% | Power |
| Belgium | $ 4.800 | 26 Jun '57 | 20 years | 5 5/8% | Port and Highway |
| Ethiopia | $ 15.000 | 28 Jun '57 | 20 years | 5 5/8% | Roads |
| India | $ 24.000 | 12 Jul '57 | 15 years | 5 5/8% | Railways |
| India | $ 19.110 | 12 Jul '57 | 15 years | 5 5/8% | Railways |
| India | $ 11.200 | 12 Jul '57 | 15 years | 5 5/8% | Railways |
| India | $ 35.700 | 12 Jul '57 | 15 years | 5 5/8% | Railways |
| Chile | $ 12.200 | 24 Jul '57 | 15 years | 5 3/4% | Coal Mine |
| Chile | $ 9.600 | 24 Jul '57 | 15 years | 5 3/4% | Coal Mine |
| Japan | $ 7.000 | 9 Aug '57 | 20 years | 5 3/4 | Multi-purpose irrigation project |
| Belgium | $ 10.000 | 10 Sep '57 | 15 years | 5 3/4% | Waterway Improvements |
| Thailand | $ 66.000 | 12 Sep '57 | 25 years | 5 3/4% | Multi-purpose project |
| Ecuador | $ 14.500 | 20 Sep '57 | 20 years | 5 3/4% | Highways |
| Ecuador | $ 5.000 | 20 Sep '57 | 20 years | 5 3/4% | Power |
| South Africa | $ 25.000 | 1 Oct '57 | 10 years | 5 3/4% | Railways |
| Austria | $ 3.571 | 10 Oct '57 | 22 years | 5 3/4% | Power |
| Pakistan | $ 31.000 | 18 Oct '57 | 15 years | 6% | Railways |
| Ecuador | $ 0.600 | 1 Nov '57 | 4 years | 6% | Railways |
| India | $ 32.500 | 20 Nov '57 | 13 years | 6% | Expansion of Steel Production |
| Philippines | $ 21.000 | 22 Nov '57 | 25 years | 6% | Power |
| Belgium | $ 40.000 | 27 Nov '57 | 20 years | 6% | Highways |
| Pakistan | $ 4.200 | 17 Dec '57 | 15 years | 5 3/4% | Private Industry |
| Mexico | $ 11.000 | 14 Jan '58 | 19 years | 5 5/8% | Power |
| Brazil | $ 13.400 | 22 Jan '58 | 20 years | 5 5/8% | Power |
| Japan | $ 8.000 | 29 Jan '58 | 14 years | 5 5/8% | Expansion of Steel Production |
| Italy | $ 75.000 | 28 Feb '58 | 20 years | 5 1/2% | Power, Agriculture and Industry |
| Total | $524.181 | | | | |

27 Loans in 15 countries

1/ Includes 1% Commission

Sale and Redemption of Securities

The new bond issues, which were offered by the Bank during the period April 1, 1957 to March 31, 1958, are set forth in Table II.

Table II

Bond Issues Offered by the Bank During Period April 1, 1957 to March 31, 1958

| Issue and Maturity | Date of Issue | Principal Outstanding U.S. $ (As at March 31/58) | Annual Sinking Fund Requirements |
|---|---|---|---|
| 4-1/4% Twenty-one Year Bonds of 1957 due May 1, 1978 | May 1, 1957 | $95,559,000 | 1967-71 $4,000,000<br>1972-77 $5,000,000 |
| 4-1/4% Notes of 1957 due 1958-60 | July 11,1957 | $100,000,000 | None |
| 4-3/8% Notes of 1957 due 1959-61 | Oct. 17, 1957 | $ 75,000,000 | None |
| 4-3/4% Twenty-three Year Bonds of 1957 due 1980 | Nov. 1, 1957 | $58,225,000 | 1968-79 $3,000,000<br>1980 $1,500,000 |
| 4-1/4% Twenty-one Year Bonds of 1958 due 1979 | Jan. 15, 1958 | $129,250,000 | 1968-77 $7,000,000<br>1978 $5,000,000 |
| 3-1/4% Notes of 1958 due 1958-59 | Feb. 1, 1958 | $10,000,000 | None |

The Bank has entered into agreements to sell additional bonds of the 4-1/4% Twenty-one Year Bonds of 1957, the 4-3/4% Twenty-Three Year Bonds of 1957 and the 4-1/4% Twenty-One Year Bonds of 1958 in aggregate principle amounts of $4,441,000., $16,775,000. and $20,750,000. respectively. Delivery of such bonds will be made and payment therefor will be received by the Bank at various dates to and including November 1, 1960.

The total of the Bank's issues outstanding on March 31, 1958 was the equivalent of U.S. $1,405.0 million, of which U.S. $1,204.8 million was denominated in U.S. dollars, U.S. $35.9 million in Canadian dollars and the remainder in Sterling, Netherlands guilders and Swiss francs.

Sale of Bonds from the Bank's Portfolio

During the period April 1, 1957 to March 31, 1958, the Bank sold or agreed to sell to private investors the equivalent of U.S. $79.9 million principal amount of loans it had made. This compares with sales of U.S. $61.2 million in the year 1956-57 and $90.3 million in the year 1955-56. All sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank on March 31, 1958 aggregated U.S. $399.6 million, of which U.S. $161.0 million had been retired by the borrowers.

Of the 27 loans made in the 12 months up to March 31, 1958, 16 attracted private participations.

Technical Assistance Activities of the Bank

During the period under review there was a continuation of the trend, begun in 1956, away from formal general survey missions towards assistance through a variety of techniques adapted to the special needs of countries requesting help. This indicates that most of the underdeveloped countries have started on the task of systematic development planning, either with help from the Bank or other sources or on their own initiative, and now have less need for short-term general surveys than for long-term advisers to assist them in refining and implementing their programmes.

The Bank continued to station resident representatives in member countries to advise and assist their governments on various development problems. The posts of resident representatives were continued in Ecuador, Haiti, Honduras, Panama and Peru. Bank representatives primarily responsible for operational matters but also available to render any appropriate help to governments on economic problems were stationed during the year in India, Iran, Pakistan and Thailand.

There was increased activity during the year in connection with development financing institutions in a number of countries. Assistance was given in the organization of the Pakistan Industrial Credit and Investment Corporation to which the Bank subsequently made a loan, in the planning for a new development bank in Thailand and in the preliminary stages of such planning in Iran. Also, various institutions which had already received Bank loans were given advice and assistance. A study entitled "Development Banks" by a staff member of the Bank was published under the auspices of the Economic Development Institute. Pilot studies were made of development banks in Canada, Nicaragua and Puerto Rico as a start toward assembling a body of data that might permit useful comparisons and conclusions on the policies and practices of development banks.

The second six months' course of study at the Economic Development Institute was completed in April 1957 and the third began in October 1957. The third group included 22 officials occupying senior posts in 18 countries. The Institute reached the end of its two-year experimental period and, in view of the results achieved in the first two courses and of the interest expressed by member governments in its continuation, the Bank decided to establish the Institute as a regular part of its activities. After the third course, the financial assistance from the Rockefeller and Ford Foundations, provided for the initial trial period, will terminate.

The Bank continued its programme of providing training each year for a limited number of people from member countries who come to the Bank to become familiar with its operations and methods.

# INTERNATIONAL FINANCE CORPORATION

## General Background

The International Finance Corporation began operations in July 1956, as an international financial institution with an authorized capital of US $100 million. Of that total $93.1 million had, by March 31, 1958, been subscribed by the governments of 54 countries.

IFC is authorized to borrow funds by the sale of its own bonds or obligations, but it has not yet made use of this authority. Hence its funds immediately available for investment are limited to the amount of its subscribed capital.

IFC's objective is to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in the less developed areas. It seeks to accomplish this end by:

(1) Investing in productive private enterprises, in association with private investors and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms;

(2) Serving as a clearing house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and

(3) Helping to stimulate the productive investment of private capital, both domestic and foreign.

IFC operates as an affiliate of the International Bank for Reconstruction and Development, although it is a separate legal entity and its funds are entirely separate and distinct from those of the Bank. Membership in IFC is open only to governments which are members of the Bank. Those Executive Directors of the Bank who represent at least one government which is a member of IFC serve as Directors of IFC. The President of the Bank serves _ex officio_ as Chairman of the Board of Directors of IFC.

IFC has its own President, appointed by the Board of Directors on the recommendations of the Chairman, and its own officers and staff.

Industrial, agricultural, financial, commercial and other private business enterprises are eligible for IFC financing. IFC does not invest in housing or hospitals, schools or other types of ventures which are primarily social in character. Nor does it normally invest in basic public utilities of a type appropriate for financing by the World Bank, as, for example, electric power, transportation, irrigation, reclamation and drainage projects. It does not engage in operations which are essentially for purposes of refunding or refinancing.

IFC is authorized to make investments in any form it deems appropriate with the single exception that it may not invest in capital stock or shares. Because of this exception IFC's investments take the form of loans but they do not normally consist of conventional fixed interest loans. Since IFC is intended to revolve its funds by sales of its investments, a principal objective in each case is to obtain securities or contractual rights (e.g. rights to subscribe to capital stock or shares or to convert the investment into stock or shares) of a character attractive to private investors. IFC usually provides at least a substantial part of the funds which it invests in any enterprise on a basis approximating venture capital and seeks to obtain financial returns appropriate to that type of investment.

Accordingly, IFC seeks, wherever practicable, to obtain convertible debentures, subscription warrants or some other form of rights to obtain capital stock or shares. Although under its charter such rights cannot be exercised by IFC itself (except to protect its investment from being jeopardized) they can be sold to and exercised by a purchaser.

## Canada's Representation

Canada's representatives on the Board of Governors of the International Bank for Reconstruction and Development during the period under review, served ex officio on the Board of Governors of the International Finance Corporation. Similarly Canada's representatives on the Executive Board of the International Bank served ex officio in the same capacity on the Executive Board of the International Finance Corporation.

## First Annual Meeting

The First Annual Meeting of the Board of Governors of the International Finance Corporation was held on September 27, 1957, in Washington, D.C. in conjunction with the Twelfth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development. Discussion centered

around the three main topics dealt with by the President of the Corporation, Mr. Robert L. Garner, in his opening address: The role of the Corporation in economic development; the requirements the Corporation must meet to achieve success; and conditions affecting private investment.

Earnings

The net earning of the Corporation in the twelve months ended March 31, 1958 amounted to approximately U.S. $2.2 million.

Investment Operations

The Corporation made six operational investments in Australia, Brazil, Chile and Mexico totaling $7 million of which $1.5 had been disbursed by March 31, 1958. These investments were for lumber mills, manufacturing of electrical equipment, modernization of a paper and pulp mill, mining development, expansion of automotive plant facilities, and an aircraft repair shop.

Investments are under consideration for Asia and Latin America.

# THE INTERNATIONAL MONETARY FUND

## General Background

The International Monetary Fund is an association of nations that have undertaken, by accepting the Fund Articles of Agreement, to promote international monetary cooperation and the expansion of world trade.

Among the ways in which members of the Fund work together to accomplish these goals are:

(a) By promoting exchange stability, and by providing a procedure for orderly adjustment of foreign exchange rates;

(b) By insuring that any major changes in exchange practices will be submitted to international consultation before being put into effect;

(c) By working toward the removal of restrictions on current exchange transactions.

The three principal methods by which the Fund works to achieve its objectives are: (1) by affording a continuous monetary conference in the meetings of its Board of Directors where full consultation on monetary and exchange matters may be conducted; (2) by furnishing, upon request, expert technicians to advise and assist members in working out their financial and monetary problems; and (3) by making its foreign exchange resources available, under proper safeguards, to its members to meet short-term, current payments difficulties. In all these activities, the Fund seeks to help its members find practical solutions to their foreign exchange problems that will be in accord with the cooperative principles of the Articles of Agreement.

Through consultation with its members, the Fund applies an international code of conduct in the exchange field. It is becoming recognized that, in currency, exchange and international trade, the interests of the community as a whole are, in the long run, the interests also of each member of the community.

The Fund encourages and may initiate consultations with individual members on their international financial situation, or it may bring together the views of all members on specific monetary problems. In signing the Articles of Agreement, member Governments have accepted a set of standards for their conduct of financial and exchange affairs. Members consult with the Fund to ensure that their monetary and exchange policies are in accord with their obligations under the Agreement. Consultation has taken place on such matters as par values for members' currencies, multiple rate systems and exchange discrimination and restrictions.

The Fund is responsible, under its Articles of Agreement, for keeping under review the financial and monetary conditions of member countries. Members are required by the Articles to provide the Fund with detailed economic and financial information.

By these means -- consultation through the Board of Executive Directors, direct technical discussions and staff studies -- Fund members are kept constantly informed about the changing financial scene throughout the world. Regardless of their size or degree of technical advancement, they have access to competent advice based upon the accumulated experience and knowledge which the Fund brings to bear upon its problems.

The Fund has maintained an extensive program of technical assistance through staff missions to many parts of the world and provides studies, reports and publications on international financial subjects.

It has advised countries on changes in par values or exchange rates, modifications in multiple currency practices and exchange restrictions, and on questions of monetary, credit and fiscal policy that have an important bearing on international payments. Its technicians have assisted members in establishing or adapting to their needs institutional machinery such as central banking and exchange systems. With many countries the Fund has conferred on techniques for improving their collection and presentation of financial statistics. It has discussed with members the monetary impact of development programs, levels of monetary reserves, use of Fund resources, gold transactions and other questions important to economic development and harmonious international monetary relations.

The Fund sells foreign exchange to members, under certain conditions, out of the currencies it holds. Among these conditions, sales are limited as a general rule to 25% of a member's quota in any 12 months. In some circumstances, a waiver may be granted to permit larger purchases. A member purchasing foreign exchange from the Fund pays with its own currency. The Fund's Articles of Agreement prescribe conditions under which members must repurchase their own currency from the Fund with gold or with convertible currencies. These provisions are to ensure that the Fund will maintain a desirable level of currencies of all members so these resources will be constantly available to the members for their foreign exchange needs.

Since a Fund policy statement of February 1952, Fund purchases of a member's currency are expected to be repurchased within a period not exceeding 3 to 5 years or reduced by the purchase of the member's currency by another member. It has been agreed also that members may obtain stand-by arrangements assuring them of drawings of Fund resources up to specified limits, and within a period not exceeding one year.

Sales of currency from March 1, 1947 to March 31, 1958, included Belgian francs, British pounds, West German deutsche marks, U.S. dollars and Canadian dollars with a total value equivalent to $3,011.2 million and were made to 35 countries. Repurchases and other operations having the same effect on members' balances amounted to $1,331.5 million in gold and U.S. dollars in the same period.

- 4 -

The highest authority of the Fund is exercised by the Board of Governors, one Governor and an Alternate Governor representing each member country. Normally, the Board of Governors meets once a year, and this constitutes an Annual Meeting of the important financial officials of member countries. The Governors may take votes by mail or other means of communication between Annual Meetings. The Board of Governors has delegated many of its powers to the Board of Executive Directors. However, the conditions governing the admission of new members, adjustment of quotas, election of Directors, and certain other important powers remain the sole responsibility of the Board of Governors.

The Board of Executive Directors is made up of 5 Directors appointed by the members having the 5 largest quotas (currently, United States, United Kingdom, China, France and India) and 12 others who are elected by the other members through their representatives on the Board of Governors. The Latin American members of the Fund are entitled, under the Articles of Agreement, to three directorships (out of the 12 mentioned above) on the Executive Board.

The Managing Director (Mr. Per Jacobsson of Sweden) is Chairman of the Board of Executive Directors as well as head of the staff of the Fund.

Each member of the Fund is assigned a quota which determines the member's voting power and the amount of foreign exchange which eligible members may purchase from the Fund. The quotas of members who were represented at Bretton Woods are set forth in the Articles of Agreement, although a few of these have since been changed by the Fund at the request of the members concerned. The quotas of other members are determined by the Fund as part of the terms of membership. The subscription of each member is equal to its quota, and is payable partly in gold and partly in the member's own currency. Quotas range from $500,000 for Panama up to $1,300 million for the United Kingdom and $2,750 million for the United States.

As of March 31, 1958, total assets of the Fund included U.S. $1,385.8 million in the gold account, $6,763.0 million in various national currencies (including $708.2 million in U.S. dollars) and $898.0 million in currency balances not yet due from member countries whose initial par values have still to be agreed upon. Total assets were approximately U.S. $9,051.3 million.

The Fund's Articles call for cooperation with other international agencies. This had involved frequent contacts with agencies dealing with problems that have significance for the Fund.

An agreement of relationship concluded with the United Nations outlines a program of mutual assistance between the U.N. and the Fund, as an independent international organization. The Fund has cooperated particularly in the work of the U.N. Secretariat, the Economic and Social Council, and the Economic Commissions for Europe, for Asia and the Far East, and for Latin America. This has been done through participation of Fund officials at their meetings and through joint working parties, missions and study groups.

Coordination with the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) is continuous.

## DEVELOPMENTS DURING THE PERIOD APRIL 1, 1957 THROUGH MARCH 31, 1958

### Twelfth Annual Meeting of the Board of Governors

The Annual Meetings of the Board of Governors provide valuable opportunities for discussions with ministers of finance and heads of central banks, the significance of which cannot appear in the published summaries of proceedings of these Meetings.

The Board, under the Chairmanship of Miguel Cuaderno, Sr., held its Twelfth Annual Meeting in Washington from September 23 through September 26, 1957. The Board heard the Managing Director's presentation of the Twelfth Annual Report, discussed the policies and activities of the Fund, acted on recommendations of the Joint Procedures Committee regarding the admission of new members, requests for increases in quota, and other Fund business, and exchanged views on international developments and prospects. Messrs. H.V.R. Iengar (India), William McChesney Martin, Jr. (United States), Juan Pardo (Peru), and Sir Dennis Robertson (United Kingdom) participated in an informal discussion of Current Problems of Credit and Fiscal Policy. The President of the Bank acted as moderator and the discussion was completed with a summing-up by the Managing Director of the Fund.

At the closing session, the Governor for Belgium was elected Chairman for the ensuing year and the Governors for the United States, the United Kingdom, China, France and India were elected Vice-Chairmen. The Thirteenth Annual Meeting will be convened in New Delhi, India, on October 6, 1958.

### Canadian Representation in the Fund

The Honorable Donald Methuen Fleming, Minister of Finance, replaced the Hon. Walter E. Harris as Governor of the Fund on June 28, 1957. Mr. James Elliott Coyne, Governor of the Bank of Canada, is the Alternate Governor. Mr. Louis Rasminsky is the Executive Director for Canada and Mr. Alan B. Hockin is his Alternate.

### Membership

The following countries became members of the Fund:

| Country | Quota | Date of Membership |
|---|---|---|
| Ghana | $ 15 million | September 20, 1957 |
| Ireland | 30 million | August 8, 1957 |
| Malaya | 25 million | March 7, 1958 |
| Saudi Arabia | 10 million | August 26, 1957 |
| Sudan | 10 million | September 5, 1957 |

There were on March 31, 1958, 65 members of the Fund with aggregate quotas of US$ 9,041 million.

The applications of the following countries for membership in the Fund were approved by the Board of Governors on September 24, 1957:

| Country | Quota | Application Dated |
|---|---|---|
| Libya | $ 5 million | February 6, 1957 |
| Morocco | 35 million | March 26, 1957 |
| Tunisia | 12 million | November 27, 1956 |

At the requests of the Governments and in accordance with the provisions of the Board of Governors Resolutions, the Executive Directors extended the period in which Libya might accept membership in the Fund until September 24, 1958, and for Morocco and Tunisia until June 24, 1958. (Morocco and Tunisia became members on April 25, 1958, and April 14, 1958 respectively.)

Use of the Fund's Resources

In terms of the dollar volume of transactions, the year April 1, 1957 through March 31, 1958, ranks in the Fund's history second only to the preceding year.

Currency drawings from the Fund by its members from April 1, 1957 through March 31, 1958, are summarized as follows:

| Member | Total Amount Drawn |
|---|---|
| Argentina | $ 75,000,000 |
| Belgium | 50,000,000 1/ |
| Bolivia | 1,000,000 1/ |
| Brazil | 37,500,000 |
| Chile | 37,331,620.70 1/ |
| Colombia | 15,000,000 1/ |
| Cuba | 25,000,000 |
| Denmark | 34,000,000 |
| Ecuador | 5,000,000 |
| France | 227,500,000 1/ |
| Haiti | 1,000,000 |
| Honduras | 3,750,000 1/ |
| India | 72,500,000 1/ |
| Israel | 3,750,000 |
| Japan | 125,000,000 |
| Netherlands | 68,750,000 |
| Nicaragua | 3,750,000 1/ |
| Paraguay | 3,500,000 1/ |
| Turkey | 13,500,000 |
| Union of South Africa | 20,000,000 |
| Yugoslavia | 22,900,000 |
| | $ 845,731,620.70 |

1/ Drawings made against stand-by arrangements.

Of the total amount purchased, $431,400,000 was purchased in accordance with arrangements for an immediate drawing and $414,331,620.70 was drawn by 9 members in accordance with the stand-by arrangements which they had made with the Fund. The Articles of Agreement authorize the Executive Board to waive the limitation imposed by Article V, Section 3, upon the amount of a member's drawing in any 12 month period to 25 percent of its quota. Waivers under Article V were granted in connection with the stand-by arrangements made during the period under review with Bolivia, Colombia, France, Honduras, India, the Netherlands, Nicaragua,

Paraguay, and Peru and for the drawings requested by Argentina, Cuba, Denmark, Ecuador, Israel, Japan, the Netherlands, Turkey, and Yugoslavia. The stand-by arrangements which had been made in 1956 with Bolivia, Chile, and the United Kingdom were extended for a further period. The amounts covered by stand-by arrangements which were in force during the period are:

| Member | Date of Arrangement | Date of Expiration | Amount of Arrangement | Amount Purchased | Amount Available March 31, 1958 |
|---|---|---|---|---|---|
| Belgium | June 19/52 | June 18/57 | $ 50,000,000 | $ 50,000,000 | $ |
| Bolivia | Nov. 29/56<br>Dec. 29/57 | Dec. 28/57<br>Dec. 28/58 | 7,500,000<br>3,500,000 | 4,000,000<br>1,000,000 | 2,500,000 |
| Chile | Apr. 1/56 | March 31/58 | 35,000,000 | 37,331,620.70 1/ | 10,000,000 |
| Colombia | June 19/57 | June 18/58 | 25,000,000 | 15,000,000 2/ | 15,000,000 |
| Cuba | Dec. 7/56 | June 6/57 | 12,500,000 | 10,000,000 | (3/) |
| France | Oct. 17/56<br>Jan. 31/58 | Oct. 16/57<br>Jan. 30/59 | 262,500,000<br>131,250,000 | 262,500,000<br>65,000,000 | 66,250,000 |
| Honduras | Nov. 12/57 | May 11/58 | 3,750,000 | 3,750,000 | |
| India | Mar. 11/57 | Mar. 10/58 | 72,500,000 | 72,500,000 | (4/) |
| Netherl. | Sept.12/57 | Sept.11/58 | 68,750,000 | | (5/) |
| Nicaragua | Nov. 21/56<br>Oct. 7/57 | May 20/57<br>Apr. 6/58 | 3,750,000<br>7,500,000 | 1,877,648.76<br>3,750,000 7/ | (6/)<br>7,500,000 |
| Paraguay | July 30/57 | July 29/58 | 5,500,000 | 3,500,000 | 2,000,000 |
| Peru | Feb. 18/54<br>Feb. 10/58 | Feb. 17/58<br>Feb. 9/59 | 12,500,000<br>25,000,000 | | (8/)<br>25,000,000 |
| United Kingdom | Dec. 22/56 | Dec. 21/58 | 738,530,000 | | 738,530,000 |
| | | | $1,465,030,000 | 530,209,269.46 | $866,780,000 |

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1/ Of this amount $12,331,620.70 has been repurchased.
2/ Of this amount $5,000,000 has been repurchased.
3/ Expired with credit of $2,500,000.
4/ Expired March 10, 1958.
5/ Cancelled March 11, 1958.
6/ Expired with credit of $1,872,351.24
7/ Of this amount $3,749,953.55 has been repurchased.
8/ Cancelled February 9, 1958.

Repurchases

Repurchases of their currencies from the Fund during April 1, 1957 to March 31, 1958, were made by members as follows:

| Member | U.S. Dollars | Gold | Total |
|---|---|---|---|
| Chile | $ 12,331,620.70 | $ | $ 12,331,620.70 |
| Colombia | 5,000,000.00 | | 5,000,000.00 |
| Cuba | 17,488,171.47 | 5,000,000.00 | 22,488,171.47 |
| Denmark | 10,000,000.00 | | 10,000,000.00 |
| Ecuador | 4,999,180.81 | | 4,999,180.81 |
| Honduras | 2,483,826.34 | 14,585.95 | 2,498,412.29 |
| Iran | 8,367,275.51 | | 8,367,275.51 |
| Iraq | 7,293.90 | 1,989,359.83 | 1,996,653.73 |
| Nicaragua | 5,624,905.21 | | 5,624,905.21 |
| Paraguay | 500,000.00 | | 500,000.00 |
| Turkey | 4,000,000.00 | | 4,000,000.00 |
| Yugoslavia | 3,200,000.00 | 5,800,000.00 | 9,000,000.00 |
| | $ 74,002,273.94 | $ 12,803,945.78 | $ 86,806,219.72 |

In discharge of its repurchase obligation France substituted $7,849,781.30 in gold for the same amount in U.S. dollars that had been paid earlier.

The Executive Board extended for another year, i.e., until December 31, 1958, the current revised scheduling of charges which has been in effect since January 1, 1954. The system of charges is being kept under continuous review by the Fund.

During the year, the Fund sold part of its own gold for U.S. $298,905,310.48, thus replenishing its holdings of U.S. dollars in this amount, the total amount sold now being $598,905,293.30.

On March 31, 1958, the Fund's holdings of member currencies (including non-negotiable, noninterest-bearing notes) totalled $6,762,978,628.35 of which $708,236,038.73 was in U.S. Dollars. The Fund's total holdings of gold and convertible currencies amount to U.S. $2,465,407,621.67, of which $1,383,945,051.72 were in gold. The largest holding of convertible currencies other than U.S. dollars was in Canadian dollars equivalent to U.S. $209,984,501.69. Two hundred million dollars of the Fund's gold has been invested in short-term U.S. Government securities, as authorized in January 1956.

## Gold Transaction Service

As from March 1952, the Fund has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service were requested to furnish the Fund confidentially with all the necessary information, as far in advance as possible. For the service of matching impending buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended by including three international organizations and several non-member countries among those who are permitted to use it.

Since March 1952, the central banks of 24 member countries and 3 international organizations have effected purchases and sales of gold through the facilities provided by this service. The supply of gold offered through the Fund has sometimes exceeded the demand, and at other times the reverse has been true.

During the year under review, 15 transactions were completed by the Fund, amounting to a total of about $107 million. The total number of transactions since March 1952 is 86, amounting in all to about $670 million.

## Increase in Quotas

During the period of this report, the quotas of the following members were increased as indicated:

| Member | From | To | Effective |
|---|---|---|---|
| El Salvador | $ 2.5 million | $ 7.5 million | October 23, 1957 |
| Haiti | 2 million | 7.5 million | May 2, 1957 |
| Honduras | 2.5 million | 7.5 million | September 30, 1957 |
| Paraguay | 3.5 million | 7.5 million | July 24, 1957 |

The Philippine Republic submitted a request for an increase in its quota from $15 million to $50 million. This request has been approved by the Board of Governors and the Philippine Republic has until July 7, 1958, to express its formal consent to the change.

## Gold Subsidies

Australia consulted the Fund regarding an amendment of its subsidy program which increases the rates of assistance to gold producers without any change in its basic structure.

The Canadian Government amended its Emergency Gold Mining Assistance Act to extend its provisions through the years 1957 and 1958. The amendment involves no change in the subsidy program described in the Fund's Annual Report for 1955. As in 1954 and 1955, all mines eligible for subsidy elected to sell their output to the Government rather than in free markets.

Par Values

Two changes in par value were agreed in the period covered by this report: On September 15, 1957, the Fund concurred in a proposal by the Government of Finland for a change in the par value of the Finnish markka from 230 markkas per U.S. dollar, the rate established on July 1, 1951, to 320 markkas per U.S. dollar; and on May 8, 1957, the Fund concurred in a proposal by Iran to change the initial par value of the rial from 32.25 rials per U.S. dollar, the rate established on December 18, 1946, to 75.75 rials per U.S. dollar, effective May 22, 1957.

Changes in Exchange Systems

Over 30 bilateral payments agreements were allowed to lapse and settlements between the countries concerned were placed on a transferable basis. Belgium-Luxembourg, Burma, Italy, Japan, the Netherlands, and Yugoslavia were particularly active in measures of this nature. There was increased use of advance deposits of 100 per cent or more as a precondition for import-exchange licensing in Argentina, Colombia, Indonesia, Paraguay, the Philippines, and Uruguay. Other important changes in members' exchange systems include the following:

Argentina. During 1957, many import commodities previously subject to quantitative restrictions were made eligible for import through the free market, but some could not be imported from the dollar area. The proceeds of many export items previously negotiable only in the official market could be sold in the free market, and in some cases surrender requirements for exports in the official market were established at a level below international prices. In addition, taxes payable on the exchange proceeds of exports still negotiated in the official market were abolished or reduced.

Belgium-Luxembourg. On October 18, 1957, the Belgium-Luxembourg authorities took several measures which had the effect of directing outgoing capital payments in EPU currencies into the free market and requiring export proceeds in those currencies to be sold only on the official market, the general purpose being to increase the supply of EPU currencies in the official market.

Brazil. On June 24, 1957, a special bonus of Cr$36 per U.S. dollar was introduced on the proceeds of exports of textile products. With the coming into effect of Brazil's new customs tariff law on August 14, 1957, the Brazilian authorities reduced from 5 to 2 the number of categories of imports in their exchange auction system and abolished the 10 per cent remittance tax. On July 1, 1957, a system of premiums on coffee exports was commenced for the current crop effective until June 30, 1958.

Colombia. On June 17, 1957, a new exchange system was introduced with an exchange certificate market through which all trade transactions pass at fluctuating rates, and a free market for other exchange transactions. Export proceeds were made subject to a 15 per cent tax and import payments through the certificate market were subject to a 10 per cent tax.

Other exchange taxes and stamp taxes on imports were abolished, but a new 2 per cent tax on export proceeds was introduced. On September 18, 1957, a decree authorized the Bank of the Republic to purchase newly produced gold on the following conditions: 40 per cent of the value of the gold, calculated at US$35 per ounce, would be paid in free dollars, and the remaining 60 per cent in pesos at the prevailing certificate market rate. On March 26, 1958, exchange certificates were no longer issued against export proceeds, which were then converted at a fixed rate less taxes, and the central bank sold at auction exchange certificates issued against its available exchange receipts.

Egypt. On February 10, 1958, a system of "export pounds" was introduced to be used for financing most transactions with countries other than those with which Egypt has payments agreements stipulating payment in Egyptian pounds. Dealings in export pounds involved a premium on the par value rate of 27 per cent.

Finland. At the time of the change in Finland's par value (September 15, 1957), its special tourist exchange rates and other multiple currency practices were abolished; export products were made subject for one year to a special levy designed to absorb part of the increased export revenue resulting from the devaluation. During 1957, the transferability of Finland's earnings of Western European currencies (except French francs) was further extended and a major part of Finland's imports from these countries was liberalized. In December 1957, certain imports from the dollar area were liberalized, thus reducing discrimination.

France. On August 11, 1957, a 20 per cent surcharge on payments was introduced for most imports and all other outward payments and a 20 per cent premium was introduced on the proceeds on most exports and other incoming payments. On October 28, 1957, the surcharge was extended to all outward payments and the premium to all incoming payments, so that the effective rate for all exchange transactions became 420 French francs per U.S. dollar and the multiple currency aspects of the August 11, 1957, arrangement were eliminated.

Federal Republic of Germany. During the course of 1957, complete freedom was restored to German residents to export capital in any form, including the purchase of securities anywhere in the world.

Indonesia. On June 20, 1957, the exchange rate system was overhauled. A fluctuating export certificate market was introduced applicable to most exchange transactions. Levies up to 175 per cent according to the commodity and calculated on the certificate rate were payable on less essential imports.

Italy. During the period under review, Italy placed many bilateral payments agreements on a multilateral currency basis and steps were taken to place those remaining on a similar footing. On February 1, 1958, Capital Accounts in Italian lire related to dollar countries and those related to EPU countries were combined in one group applicable to all countries except those with which Italy still has bilateral payments agreements.

Nicaragua. On November 1, 1957, the preferential buying rate of C$7 per U.S. dollar was applied to the proceeds of exports of cotton and of certain minor exports previously negotiable at the C$6.60 rate.

Paraguay. On August 10, 1957, an exchange reform was introduced substituting a fluctuating single exchange rate system for the previous multiple exchange rate structure. All quantitative restrictions on imports were eliminated and a tax of 15 per cent was imposed on the value of goods exported.

United Kingdom. On July 5, 1957, dealings in foreign currency securities by residents of the United Kingdom with residents of other parts of the sterling area were made subject to special permission. On August 19, 1957, the granting without special permission of overnight banking accommodation to non-residents was terminated. On September 20, 1957, authorized banks in the United Kingdom were asked not to grant refinance facilities to non-residents nor to establish sterling credits requiring payment by time drafts where the purchase of goods by one non-resident from another was concerned. On February 28, 1958, all restrictions on the import of British bank notes were withdrawn.

Uruguay. On November 11, 1957, major changes were made in the exchange system establishing generally more depreciated exchange rates for the proceeds of many export commodities. On November 28, 1957, an emergency import regime was introduced. Its main feature was the establishment of two global exchange quotas, one for imports from Uruguay's bilateral agreement partner countries and the other for imports from all other countries: exchange for the former was to be provided promptly, and for the latter only 180 days after shipment of the goods.

Viet-Nam. On October 1, 1957, the system of export retention quotas was discontinued. At the same time, exporters of most commodities, other than rice and tea, were required to surrender their foreign exchange, 65 per cent at the official rate and 35 per cent at a controlled free market rate.

Yugoslavia. During 1957, various exchange measures were introduced which had the effect of decreasing the number of effective exchange rates in operation in Yugoslavia.

## Consultations

The *Eighth Annual Report on Exchange Restrictions*, published in June 1957, presented a survey of developments in exchange restrictions in Fund member countries during the previous 12 months and described the main features of the exchange system of each Fund member and of 12 other countries.

Consultations with member countries on the further retention of their restrictive practices continued during the period under review. Of the 65 countries which were members of the Fund on March 31, 1958, 54 have an obligation to consult with the Fund under Article XIV of the Articles of Agreement. In connection with most of these consultations, Fund missions have visited member countries. In a few consultations, discussions with representatives were held in Washington. These consultations provided the occasion for a general

review of the economic and financial conditions of the country concerned and have permitted a confidential discussion of the main problems arising in connection with its exchange policy. The experience built up in this way has been of value to the Fund in its consideration of specific requests from members for technical assistance, for access to the Fund's resources, or for approval of changes in multiple currency practices, and has enabled the Fund to deal promptly with such requests. The Fund is continuing its endeavors to help in the elimination of restrictions and has given valuable advice and assistance to members trying to advance toward the establishment of a multilateral system of payments. During the period under review, special attention was given to the need to simplify multiple exchange rate systems. On June 26, 1957, an Executive Board decision (Annual Report, 1957, pp. 161-162) affirmed that early and substantial steps should be taken by member countries having complex multiple rate systems to simplify these systems.

## Technical Assistance

The provision of technical assistance is an increasingly important function of the Fund and at all times a number of the staff is engaged in this activity. In some instances, at the request of a member country concerned, or of another international organization, it has been found possible to send an official of the Fund as a technical adviser for periods of six months or more. Several officials are at present on assignments of this sort. The Fund has in a few instances afforded technical assistance on request to countries which had not yet become members of the Fund.

From April 1, 1957, through March 31, 1958, members of the staff visited 49 countries for purposes of consultation, technical assistance, and the informal exchange of views and information.

In addition to the visits paid by staff members to member countries, the frequent visits made to member countries by the Managing Director and the Deputy Managing Director have provided valuable opportunities for close and continuous exchange of views. Members of the Executive Board play an important role in keeping the Fund adequately informed of current trends in their member countries, and visits to Washington by officials from member countries, which are frequently made when some special matter, such as the negotiation of a stand-by arrangement, is under consideration, also help to ensure that the Fund should function as a genuinely cooperative international organization.

## Training Programs

In view of the success of past programs and the interest of member countries, the Training Program has been expanded and there were 24 participants -- from Australia, Bolivia, Burma, Ceylon, Egypt, Finland, Federal Republic of Germany, Greece, Iran, Iraq, Israel, Italy, Japan, Jordan, Korea, Norway, Pakistan, Panama, Paraguay, Syria, Trinidad, Turkey, Venezuela, and Yugoslavia (including four 6-month trainees) -- in the new program which began in September 1957. The program offers specialized instruction and practical work in the main areas of the Fund's competence to officials from central banks and government departments in member countries.

## Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has maintained close contacts with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade, the Organization for European Economic Co-operation, and the Bank for International Settlements. As in the past, Fund missions attended meetings of the CONTRACTING PARTIES in Geneva. Consultations on the discriminatory application of import restrictions maintained for balance of payments reasons were held with the Fund. The Fund transmits to the CONTRACTING PARTIES the results of its own Article XIV consultations with the various governments concerned, together with background material relating to such countries, and the Fund missions cooperate with the GATT working parties conducting the consultations.

Close liaison has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with the staffs of these agencies, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. Fund representatives have attended meetings of the General Assembly of the United Nations; of the Economic Commission for Asia and the Far East, for Europe, and for Latin America; of the UN Administrative Committee on Co-ordination; and of the Technical Assistance Board. The Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 23rd Session of the UN Economic and Social Council in April 1957.

To His Excellency,

The Right Honourable Vincent Massey, C.H.,

Governor General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Brettons Woods Agreement Act during the fiscal year 1958-59.

All of which is respectfully submitted.

Donald M. Fleming,

Minister of Finance.

Ottawa, April 20, 1959.

# REPORT

## ON

## OPERATIONS UNDER THE
## BRETTON WOODS AGREEMENT ACT

## DURING THE

## FISCAL YEAR 1958-59.

## Introductory Note

The present report includes a brief description of the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation, as well as a survey of their operations during the period April 1, 1958 through March 31, 1959.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Bank and the International Monetary Fund, was authorized by the Bretton Woods Agreement Act, 1945 (9-10 George VI, Chapter 11).

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The three organizations are closely linked in membership and general fields of endeavour. Membership in the International Bank for Reconstruction and Development is a prerequisite for membership in the International Finance Corporation; and membership in the International Monetary Fund is a prerequisite for membership in the International Bank. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the three organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all three organizations in the same group of buildings in Washington, D.C.

THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

## General Backgrc nd

The International Bank for Reconstruction and Development is an international organization, the members of which are governments. It was established and is operating under Articles of Agreement signed by those governments. The Bank officially began operations on June 25, 1946.

On accepting membership in the Bank, each member subscribes to shares of the capital stock of the Bank. Accordingly, the Bank's members are its stockholders.

The principal purposes of the Bank may be summarized as follows:

(a) To assist in the reconstruction and development of its member countries by facilitating the investment of capital for productive purposes, thereby promoting the long-range balanced growth of international trade and the improvement of standards of living;

(b) To promote private foreign investment by guarantees of and participations in loans and other investments made by private investors; and

(c) When private capital is not available on reasonable terms, to make loans for productive purposes out of its own resources or funds borrowed by it.

In carrying out those purposes, the Bank has engaged in two principal types of financing operations. First, it has made loans for productive purposes to finance, in whole or in part, the foreign exchange costs of programs and projects of reconstruction and development. Second, it has raised funds in the private market by issuing its own obligations and by selling, mainly without its guarantee, securities under loans it has granted.

The total authorized capital stock of the Bank is $10,000 million, in terms of U.S. dollars of the weight and fineness in effect on July 1, 1944. It is divided into 100,000 shares of the par value of $100,000 each. Total subscribed capital as of March 31, 1956 was $9,556.5 million.

From the standpoint of the manner and amount of payment of the subscriptions and the purposes for which subscribed capital can be used by the Bank, the subscription of each member is divided into three parts:

(1) 2% of each subscription is payable in gold or U.S. dollars. These funds may be freely used by the Bank in any of its operations. With one exception, each member has paid such 2% of its subscription.

(2) 18% of each subscription is payable in the currency of the subscribing member. These funds may be loaned only with the consent of the member whose currency is loaned. Approximately $1,270 million of this capital has been made available to the Bank in usable form by March 31, 1959. This includes the complete release of Canada's 18% subscription.

(3) The remaining 80% of each subscription is subject to call by the Bank only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it. It is thus not available for use by the Bank in making loans. Payments on any such call may be made, at the option of the particular member, either in gold, in U.S. dollars or in the currency required to discharge the obligations of the Bank for which the call is made.

The other main source of funds has been through the sale of Bank bonds in the principal financial markets of the world. The net funded outstanding debt of the Bank as of March 31, 1959, was approximately $1,840 million.

In response to a resolution of the Bank's Board of Governors at its Annual Meeting in New Delhi in October 1958, calling on the Executive Directors to consider the question of enlarging the Bank's resources through an increase in capital, the Executive Directors submitted their report to the Governors in December 1958. The report recommended a major increase in the Bank's capital in order to strengthen the Bank's capacity to borrow funds for financing economic development in member countries. It recommended an increase in the authorized capital of 100%, from $10,000 million to $20,000 million, a doubling of members' capital subscriptions; with the 2% and 18% portions of the increase to be left uncalled; and a further increase of $1,000 million, as a margin of authorized but unsubscribed capital for future new members and later increases in subscription.

Over and above the general increases in members' subscriptions, certain special increases in subscriptions are being proposed for Canada, Germany, Japan and a number of other countries. By February 2, 1959, the Governors had unanimously adopted a preliminary resolution approving the recommendations of the report and recommending that member countries take such action as might be necessary to give effect to the proposals.

The Bank's lending operations have conformed generally to five principles derived from the provisions of the Articles. They are:

(a) The Bank makes loans either to member governments or to governmental authorities or agencies or private enterprises in the territories of member governments. A loan which is not made directly to the government in whose territories the project being financed is located must be guaranteed as to principal, interest and other charges by the government or its central bank or a comparable agency of the government acceptable to the Bank. In practice a guarantee by the government itself has been required in all cases.

(b) Loans must be for productive purposes. Loans which, in the Bank's opinion, cannot be justified on economic grounds are excluded.

(c) In making loans, the Bank must act prudently and pay due regard to the prospects of repayment.

(d) The Bank does not make loans which are obtainable in the private market on reasonable terms. Since the Bank is intended to promote private investment, not to compete with it, it does not undertake business which private investors are willing to transact on a reasonable basis.

(e) The use of loan proceeds is supervised. The Bank makes arrangements to ensure that funds loaned are used only for authorized purposes, with due attention to consideration of economy and efficiency.

The Bank's administration is composed of the Board of Governors, the Executive Directors, and the President, other officers and staff.

All the powers of the Bank are vested in the Board of Governors, which consists of a Governor and an Alternate Governor appointed by each member of the Bank who exercise the voting power to which that member is entitled. Each member is entitled to 250 votes plus one vote for each share held. The Board holds regular Annual Meetings.

There are 18 Executive Directors, of whom five are appointed, one by each of the five members having the largest number of shares of capital stock (the United States, the United Kingdom, China, France and India), and the remaining 13 are elected by the Governors representing the other members. The Board of Governors has delegated to the Executive Directors authority to exercise all the powers of the Bank except those reserved to the Governors under the Articles. The Executive Directors function as a board and each Executive Director is entitled to cast the number of votes of the member or members by which he was appointed or elected.

The President is selected by the Executive Directors. Subject to their general direction on questions of policy, he is responsible for the conduct of the business of the Bank and for the organization, appointment and dismissal of its officers and staff.

<u>General Summary of Developments during the Period April 1, 1958 - March 31, 1959</u>

In the year ending March 31, 1959, Libya, Morocco, Spain and Tunisia became members of the International Bank for Reconstruction and Development, bringing membership to 68 countries. The United Arab Republic has been substituted in the Bank's records for Egypt and Syria.

During the period, the International Bank made 33 loans in 20 countries and their territories, totalling about U.S. $746 million equivalent. This record total compares with lending of U.S. $524 million equivalent in the previous year. As of March 31, 1959, the total amount of all loans made by the Bank was U.S. $4,333 million, of which about $3,250 million equivalent had been disbursed as of March 31, 1959. In the year under review, the Bank made public issues, totalling $250 million, in the United States market. The outstanding Funded Debt of the Bank increased by the equivalent of approximately $435 million during the period.

Private investors continued to acquire portions of the Bank's loans. Banks and other investors in the United States, Europe and Canada participated in 25 of the Bank's loans at the time they were made, in all cases without the Bank's guarantee.

As of March 31, 1959, total net earnings of the Bank amounted to approximately U.S. $270 million and the total reserve rose to about U.S. $400 million. The Bank's lending rate during the year under review varied from 5-3/8% to 5-3/4%, including the Bank's 1% commission.

The Bank continued to provide assistance to a number of countries on specific problems and to post resident representatives in member countries to assist in dealing with development problems. During the year the Economic Development Institute, an instrument of the Bank, concluded its fourth six-months' course and scheduled a fifth course to begin in October 1959.

Canadian Representation

The Honourable Donald Methuen Fleming, Minister of Finance, continued as Governor of the Bank. Mr. A.F.W. Plumptre, Assistant Deputy Minister, Department of Finance, was the Canadian Alternate Governor of the Bank. Mr. Louis Rasminsky was re-elected as Executive Director for Canada and Ireland. Mr. Alan B. Hockin was his Alternate.

Membership

In the course of the year, Libya ($5m), Morocco ($35m), Spain ($100m) and Tunisia ($12m), as new members of the Bank, subscribed to 1,520 shares of capital stock with a value of U.S. $152 million. With these subscriptions and increases in the capital subscriptions of El Salvador, Haiti, Honduras, Paraguay and the Philippines, the subscribed capital of the International Bank totalled, on March 31, 1959, U.S. $9,556.5 million.

## 1958 Annual Meeting

At the 1958 Annual Meeting of the Board of Governors, held in New Delhi, India, the Governors reviewed and discussed the Bank's operations during the Bank's fiscal year 1957-58. The President of the Bank mentioned that during that fiscal year the Bank had made a record number of loans as compared to previous years, and that its borrowings had also reached the highest annual figure in its history.

Mr. Black recognized that 18% capital releases amounting to $149 million during the year had been made, but reminded member countries that nearly half a billion dollars equivalent, of 18% capital, still could not be used effectively by the Bank. He paid tribute to countries such as Canada that had given the Bank complete 18% releases.

He referred also to the Bank's action as successful mediator in the compensation dispute between the United Arab Republic and the reorganized ~~Suez~~ Canal Company; its encouragement of Industrial Development Banks; and other advisory and technical services rendered by the Bank.

Mr. Black noted that, in view of the increased tempo of the Bank's lending rate, the financial resources available to the Bank might become inadequate at an early date and he supported strongly the proposals regarding an increase in the resources of the Bank and the Fund.

## Lending Operations

During the period April 1, 1958, through March 31, 1959, the Bank made 33 loans in 20 countries and their territories, totalling U.S. $746 million equivalent. This compares with U.S. $524 million in the previous year. The amount of all loans made to March 31, 1959, was about U.S. $4,333 million equivalent, of which U.S. $3,250 million equivalent had been disbursed as of March 31, 1959. A table (on pages 6 and 7) shows the loans made during the year. Interest rates include the 1% commission which, under its Articles of Agreement, the Bank charges on all its loans. Where loans were not made directly to member governments, the governments in whose territories the projects were being financed have guaranteed the loans.

## Earnings and Reserves

The net earnings of the Bank in the year under review amounted to approximately U.S. $43 million, which was transferred to the Supplemental Reserve Against Losses on Loans and Guarantees. In addition the Bank added U.S. $23 million to its Special Reserve during this period. On March 31, 1959, the Supplemental Reserve amounted to a total of approximately U.S. $270 million and the Special Reserve to approximately U.S. $130 million.

Additional Funds Available for Lending from Capital Subscription

Funds available for lending by the Bank have been increased by the capital subscriptions of new members, increased capital subscriptions of old members, and releases of the 18% portion of capital subscriptions by a number of member countries. As of March 31, 1959, the Bank has been able to allocate to loans the equivalent of approximately U.S. $1,270 million from releases of 18% capital, including Canada's fully released 18% subscription.

Table I

IBRD - LOANS
(April 1, 1958 through March 31, 1959)

| Member Country | Principal Amount (In millions of U.S. Dollars) | Date of Agreement | Term | Interest 1/ Rate | Purpose |
|---|---|---|---|---|---|
| Peru | $15.000 | 3 Apr. '58 | 15 years | 5 1/2% | Railways |
| Pakistan | 14.000 | 23 Apr. '58 | 20 years | 5 1/2% | Power |
| Austria | 10.765 | 28 Apr. '58 | 17 years | 5 1/2% | Industry |
| U.K. - Nigeria | 28.000 | 2 May '58 | 20 years | 5 3/8% | Railways |
| Mexico | 34.000 | 5 May '58 | 25 years | 5 3/8% | Power |
| Honduras | 5.500 | 9 May '58 | 20 years | 5 3/8% | Highways |
| Japan | 37.000 | 13 June '58 | 25 years | 5 3/8% | Power |
| U.K. -Rhodesia & Nyasaland | 19.000 | 16 June '58 | 18 years | 5 3/8% | Railways |
| India | 29.000 | 25 June '58 | 20 years | 5 1/2% | Port |
| India | 14.000 | 25 June '58 | 20 years | 5 1/2% | Port |
| Japan | 25.000 | 27 June '58 | 25 years | 5 3/8% | Power |
| Japan | 33.000 | 11 July '58 | 15 years | 5 3/8% | Expansion of Steel Production |
| Sudan | 39.000 | 21 July '58 | 20 years | 5 3/8% | Port and Transportation |
| India | 25.000 | 23 July '58 | 20 years | 5 3/8% | Power |
| Japan | 10.000 | 18 Aug. '58 | 15 years | 5 3/8% | Expansion of Steel Production |
| Japan | 29.000 | 10 Sept '58 | 25 years | 5 3/4% | Power |
| Japan | 22.000 | 10 Sept '58 | 15 years | 5 3/4% | Expansion of Steel Production |

1/ Includes 1% commission

| Member Country | Principal Amount (In millions of U.S. Dollars) | Date of Agreement | Term | Interest Rate 1/ | Purpose |
|---|---|---|---|---|---|
| India | $85.000 | 16 Sept '58 | 21 years | 5 3/4% | Railways |
| Peru | 6.575 | 17 Sept '58 | 20 years | 5 3/4% | Port |
| Ceylon | 7.400 | 17 Sept '58 | 20 years | 5 3/8% | Power |
| Malaya | 35.600 | 22 Sept '58 | 25 years | 5 3/4% | Power |
| Brazil | 73.000 | 3 Oct '58 | 25 years | 5 3/4% | Power |
| Ecuador | 13.000 | 9 Oct '58 | 25 years | 5 3/4% | Port |
| Austria | 25.000 | 2 Dec '58 | 25 years | 5 3/4% | Power |
| South Africa | 25.000 | 2 Dec '58 | 10 years | 5 3/4% | Railways |
| Colombia | 2.800 | 15 Dec '58 | 21 years | 5 3/4% | Power |
| El Salvador | 5.000 | 7 Jan '59 | 15 years | 5 3/4% | Feeder Roads |
| Colombia | 4.600 | 30 Jan '59 | 20 years | 5 3/4% | Power |
| Denmark | 20.00 | 4 Feb '59 | 19 years | 5 3/4% | Power |
| Costa Rica | 3.500 | 11 Feb '59 | 6 years | 5 3/4% | Agriculture and Industry |
| Japan | 10.000 | 17 Feb '59 | 24 years | 5 3/4% | Power |
| El Salvador | 3.000 | 20 Feb '59 | 25 years | 5 3/4% | Power |
| Finland | 37.000 | 16 Mar '59 | 15 years | 5 3/4% | Pulp and Paper |
| TOTAL - | $745.740 | | | | |

1/ Includes 1% commission.

Sale and Redemption of Securities

The new bond issues, which were offered by the Bank during the period April 1, 1958, to March 31, 1959, are set forth in the following Table II.

The total of the Bank's Funded Debt outstanding on March 31, 1959, was the equivalent of approximately US $1,840 million, of which about U.S. $1,586 million was denominated in U.S. dollars, approximately $35 million in Canadian dollars, and the remainder in Sterling, Netherland guilders, Swiss francs and Deutsche marks.

Table II

Bond and Note Issues Offered by the Bank
During the Period
April 1, 1958 to March 31, 1959

| Issue and Maturity | Date Issued | Principal Outstanding U.S.$ equivalent (as of March 31/59) | Annual Sinking Fund Requirements |
|---|---|---|---|
| Payable in U.S. Dollars | | | |
| 3-3/4% Ten Year Bonds of 1958, due 1968 | May 15/58 | 149,875,000 1/ | None |
| 2-1/2% Notes of 1958, due 1960 | June 15/58 | 15,000,000 | None |
| 2-1/2% Notes of 1958, due 1959-61 | June 20/58 | 75,000,000 | None |
| 3-1/4% Two Year Bonds of 1958, due 1960 | Oct. 1/58 | 75,000,000 | None |
| 2-1/2% Notes of 1958, due 1961 | July 11/58 | 40,000,000 | None |
| 4-1/2% Fifteen Year Bonds of 1958, due 1973 | Dec. 2/58 | 93,500,000 1/ | 1964-73$5,000,000 |
| 3-7/8% Notes of 1959, due 1962 | Jan. 16/59 | 58,000,000 | None |
| Payable in Deutsche Marks | | | |
| 3% Note of 1958, due 1961 (DM 131,618,507) | July 7/58 | 47,619,048 | None |
| Payable in Swiss Francs | | | |
| 4% Fifteen Year Swiss Franc Bonds of 1959 due 1974 (Sw fr 200,000,000) | Jan. 14/59 | 23,269,343 | None |

1/ The Bank has entered into agreements to sell additional bonds of the following issues and delivery of these bonds will be made and payment therefor, will be received by the Bank in the aggregate amount and at various dates to and including the dates shown hereunder:

| Issue | Amount | Date of final delivery |
|---|---|---|
| 3-3/4% 10-year bonds of 1958, due 1968 | $ 125,000 | May 15, 1959 |
| 4-1/2% 15-year bonds of 1958, due 1973 | $6,500,000 | Dec 1, 1960 |

2 The Bank has nearly completed arrangements for an issue in April, 1959, in Germany of 5% deutsche marks bonds in the amount of DM 200,000,000, repayable in six to fifteen years.

## Sale of Bonds from the Bank's Portfolio

During the period April 1, 1958, to March 31, 1959, the Bank sold or agreed to sell to private investors the equivalent of about U.S. $93 million principal amount of loans it had made. This compares with sales of U.S. $90 million in the year 1955-56, $52 million in the year 1956-57, and $89 million in the year 1957-58. All sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1959, aggregated about U.S. $492 million, of which approximately U.S. $220 million had been retired by the borrowers.

Of the 33 loans made in the 12 months to March 31, 1959, 25 attracted private participations.

## Technical Assistance Activities of the Bank - April 1, 1958 through March 31, 1959

The general survey mission to Thailand completed its year's work in that country in July. A draft of the final report was completed and transmitted to the Government of Thailand for comment in December. The report will be formally submitted to the government in 1959 and will be published as a part of the Bank's series of survey mission reports.

An agricultural survey mission, organized jointly by the Bank and the Food and Agriculture Organization of the United Nations, was in Peru from June through September, and a first report was submitted to the Government in December. Arrangements were completed for a general survey mission to go to Libya in January, 1959. The Bank agreed to send a mission to Tanganyika in May 1959, and the recruitment of mission members was largely completed at the end of 1958.

The Bank was increasingly active in advising member governments on the organization and operation of industrial financing institutions. Assistance in connection with proposed new institutions was provided in Iran, Thailand and Paraguay, and arrangements were completed for assistance to be furnished early in 1959 in connection with a proposed new development bank in Taiwan. The Bank also helped the Development Bank of Ethiopia to recruit additional technical staff. Interest among the Bank's member countries in development financing institutions of this kind has been growing. In order, better to equip itself to act in this field, the Bank in May, 1958, held a one-week conference of development bank executives from institutions in 11 member countries, at which views were exchanged on many aspects of development bank operation.

The Bank continued its practice of posting resident representatives in member countries to assist in dealing with development problems. For instance, the two-man mission in Peru was continued during the year and will be extended through 1959. The special representative to Haiti completed his assignment in January, 1959. The Bank provided one staff member throughout the year, and additional assistance from time to time, to the economic and financial mission in Ecuador. The Bank also made a staff member available to serve as the head of the technical bureau of the Iran Plan Organization. The arrangement

whereby the Bank and the United Nations Technical Assistance Administration have provided an expert to serve as the Director of the Ceylon Institute of Scientific and Industrial Research was continued through the year.

The Economic Development Institute continued to attract participants from the senior ranks of public service in many of the Bank's member countries in Asia, Africa and Latin America. Twenty-one participants from eighteen countries have been taking part in the Fourth Course which began in October, 1958. The Institute's program continues to deal with the practical economic problems that face officials of nations emerging from primitive economic conditions and striving for greater economic growth and activity. The Institute will conclude its fourth course in the Summer of 1959, with an extended field trip to the developing areas of Southern Italy, as guests of the Cassa per il Mezzogiorno.

During the year 1958, nine trainees from different member countries participated in the General Training Program. The purpose of this program is to acquaint junior officers from member countries with the organization, policies and activities of the Bank, and also to provide them with an opportunity to familiarize themselves with the problems of economic development. The eleventh course, also with nine participants, started in January, 1959, and will be completed in July, 1959.

Under the Bank's other training programs five senior officials from four member countries received training at the Bank and at other institutions in financial, monetary and technical assistance matters in 1958.

# INTERNATIONAL FINANCE CORPORATION

## General Background

The International Finance Corporation began operations in July, 1956, as an international financial institution with an authorized capital of U.S. $100 million. Of that total, $93.7 million had, by March 31, 1959, been subscribed by the governments of 57 countries. Membership of Argentina, with a capital subscription of $1,662,000 had been approved but steps to complete this membership remained to be taken.

IFC is authorized to borrow funds by the sale of its own bonds or obligations, but it has not yet made use of this authority. Hence its funds immediately available for investment are limited to the amount of its subscribed capital.

IFC's objective is to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in the less developed areas. It seeks to accomplish this end by:

(1) Investing in productive private enterprises, in association with private investors and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms;

(2) Serving as a clearing house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and

(3) Helping to stimulate the productive investment of private capital both domestic and foreign.

IFC operates as an affiliate of the International Bank for Reconstruction and Development, although it is a separate legal entity and its funds are entirely separate and distinct from those of the Bank. Membership in IFC is open only to governments which are members of the Bank. Those Executive Directors of the Bank who represent at least one government which is a member of IFC serve as Directors of IFC. The President of the Bank serves *ex officio* as Chairman of the Board of Directors of IFC.

IFC has its own President and staff.

Industrial, agricultural, financial, commercial and other private business enterprises are eligible for IFC financing. IFC does not invest in housing or hospitals, schools or other types of ventures which are primarily social in character.

Nor does it normally invest in basic public utilities of a type appropriate for financing by the World Bank, as, for example, electric power, transportation, irrigation, reclamation and drainage projects. It does not engage in operations which are essentially for purposes of refunding or refinancing.

IFC is authorized to make investments in any form it deems appropriate, with the single exception that it may not invest in capital stock or shares. Because of this exception, IFC's investments take the form of loans, but they do not normally consist of conventional fixed interest loans. Since IFC is intended to revolve its funds by sales of its investments, a principal objective in each case is to obtain securities or contractual rights (e.g. rights to subscribe to capital stock or shares or to convert the investment into stock or shares) of a character attractive to private investors. IFC usually provides at least a substantial part of the funds which it invests in any enterprise on a basis approximating venture capital and seeks to obtain financial returns appropriate to that type of investment.

Accordingly, IFC seeks, wherever practicable, to obtain convertible debentures, subscription warrants or some other form of rights to obtain capital stock or shares. Although under its charter such rights cannot be exercised by IFC itself (except to protect its investment from being jeopardized) they can be sold to and exercised by a purchaser.

## Canada's Representation

Canada's representatives on the Board of Governors of the International Bank for Reconstruction and Development during the period under review, served *ex officio* on the Board of Governors of the International Finance Corporation. Similarly, Canada's representatives on the Executive Board of the Bank served *ex officio* in the same capacity on the Board of Directors of the Corporation.

## 1958 Annual Meeting

At the Corporation's second Annual Meeting in October, 1958, the President briefly outlined the activities of the Corporation during the year and stressed the need in the growing economies of the world for venture investment. The primary significance of IFC's operation was not in the amount of its funds employed, but in their multiplying effect in attracting larger amounts of private capital.

He pointed out that reciprocal action on the part of both capital importing and exporting countries in providing tax incentives would greatly speed the flow of private capital into productive enterprises, which in turn might help to reduce the need for intergovernmental loans and grants. He recognized the element of risk in private enterprise, but observed that the developing countries, with a view to stimulating the flow of investment capital, both local and foreign, might well consider the provision of other incentives as well.

During the Corporation's 1958 Annual Meeting, a panel discussion on "Private Enterprise in Economic Growth" was held; panel members included five industrial leaders from Brazil, Germany, India, the United Kingdom and the United States.

Earnings

The net earnings of the Corporation in the twelve months period under review amounted to approximately U.S. $1.3 million.

Investment Operations

The Corporation made eight operational investments, totalling $7.4 million. These investments were for the manufacture of rubber products, automotive parts, motor vehicles, cement, steel products and cotton textiles, also for flour milling and steel forging. The projects were located in Australia, Brazil, Guatemala, India and Pakistan. Disbursements on investments during the twelve month period under review exceeded $6 million.

# THE INTERNATIONAL MONETARY FUND

## General Background

The International Monetary Fund is an association of nations that have undertaken, by accepting the Fund's Articles of Agreement, to promote international monetary cooperation and the expansion of world trade.

Members of the Fund work together to accomplish these goals:

(a) By promoting exchange stability, and by providing a procedure for orderly adjustment of foreign exchange rates;

(b) By insuring that any major changes in exchange practices will be submitted to international consultation before being put into effect; and

(c) By working toward the removal of restrictions on current exchange transactions.

The three principal methods by which the Fund works to achieve its objectives are: (1) by affording a continuous monetary conference in the meetings of its Board of Directors where full consultation on monetary and exchange matters may be conducted; (2) by furnishing, upon request, expert technicians to advise and assist members in working out their financial and monetary problems; and (3) by making its foreign exchange resources available, under proper safeguards, to its members to meet short-term, current payments difficulties. In all these activities, the Fund seeks to help its members find practical solutions to their foreign exchange problems that will be in accord with the cooperative principles of its Articles of Agreement.

Through consultation with its members, the Fund applies an international code of conduct in the exchange field. It is becoming recognized that in currency, exchange and international trade, the interests of the world community as a whole are, in the long run, the interests also of each member of the community.

The Fund encourages and may initiate consultations with individual members on their international financial situation, or it may bring together the views of all members on specific monetary problems. In signing the Articles of Agreement, member Governments have accepted a set of standards for the conduct of their financial and exchange affairs. Members consult with the Fund to ensure that their monetary and exchange policies are in accord with their obligations under the Agreement. Consultation has taken place on such matters as par values for members' currencies, multiple rate systems and exchange discrimination and restrictions.

The Fund is responsible, under its Articles of Agreement, for keeping under review the financial and monetary conditions of member countries. Members are required by the Articles to provide the Fund with detailed economic and financial information.

By these means -- consultation through the Board of Executive Directors, direct technical discussions and staff studies -- Fund members are kept constantly informed about the changing financial scene throughout the world. Regardless of their size or degree of technical advancement, they have access to competent advice based upon the Fund's accumulated experience and knowledge.

The Fund has maintained an extensive program of technical assistance through staff missions to many parts of the world and provides studies, reports and publications on international financial subjects.

It has advised countries on changes in par values or exchange rates, modifications in multiple currency practices and exchange restrictions, and on questions of monetary, credit and fiscal policy that have an important bearing on international payments. Its technicians have assisted members in establishing or adapting to their needs institutional machinery such as central banking and exchange systems. With many countries the Fund has conferred on techniques for improving their collection and presentation of financial statistics. It has discussed with members the monetary impact of development programs, levels of monetary reserves, use of Fund resources, gold transactions and other questions important to economic development and harmonious international monetary relations.

From the pool of currencies which its members have contributed to it, the Fund sells foreign exchange to members, under certain conditions. Sales are limited as a general rule to 25% of a member's quota in any 12 months. In some circumstances, a waiver may be granted to permit larger purchases. A member purchasing foreign exchange from the Fund pays for it with its own currency, and conditions are prescribed under which members must repurchase their own currency from the Fund with gold or with convertible currencies. These provisions are intended to ensure that the Fund will be a genuinely revolving fund and that adequate supplies will be available of the currencies which members are most likely to wish to purchase.

Since a Fund policy statement of February 1952, Fund purchases of a member currency are expected to be repurchased within a period not exceeding 3 to 5 years. This obligation is modified to the extent that the Fund's holdings of a member's currency are reduced by a purchase of that member's currency by another member. Members may also obtain stand-by arrangements assuring them of drawings of Fund resources up to specified limits, and within a specified period.

Sales of currency from March 1, 1947 to March 31, 1959, included Belgian francs, British pounds, West German Deutschemarks, Netherlands guilders, U.S. dollars and Canadian dollars with a total value equivalent to $3,274.1 million, and were made to 37 countries. Repurchases and other operations

having the same effect on members' balances with the Fund amounted to $1,661.4 million in gold and U.S. dollars in the same period.

The highest authority of the Fund is exercised by the Board of Governors, on which each member country is represented by a Governor and an Alternate Governor. Normally the Board of Governors meets once a year, and this constitutes an Annual Meeting of the important financial officials of member countries. Between Annual Meetings, the Governors may be requested to cast votes by mail or other means of communication. The Board of Governors has delegated many of its powers to the Board of Executive Directors. However, the conditions governing the admission of new members, adjustment of quotas, election of Directors, and certain other important powers remain the sole responsibility of the Board of Governors.

The Board of Executive Directors is made up of 18 Directors. Five are appointed by the members having the 5 largest quotas (currently U.S., U.K., China, France and India). The other 13 are ordinarily elected by the other members through their representatives on the Board of Governors. However, the Articles of Agreement provide that the 2 members the holdings of whose currencies by the Fund have been, on the average over the preceding 2 years, reduced below their quotas by the largest absolute amounts, shall appoint Executive Directors to the Board, unless they are already entitled to do so by reason of having one of the 5 largest quotas. Under this provision Canada appointed an Executive Director to the Board at the elections held last October at the time of the Annual Meeting. Accordingly the Board currently consists of 6 appointed Directors and 12 elected Directors. Of these elected Directors, the Latin American members of the Fund are entitled, under the Articles of Agreement, to three directorships.

The Managing Director (Mr. Per Jacobsson of Sweden) is Chairman of the Board of Executive Directors as well as head of the staff of the Fund.

Each member of the Fund is assigned a quota which determines its voting power and the amount of foreign exchange which it may purchase from the Fund. The quotas of members who were represented at Bretton Woods are set forth in the Articles of Agreement, although a few of these have since been changed by the Fund at the request of the members concerned. The quotas of other members are determined by the Fund as part of the terms of membership. The subscription of each member is equal to its quota, and is payable in gold and partly in the member's own currency. Quotas range from $500,000 for Panama up to $1,300 million for the United Kingdom and $2,750 million for the United States.

## THE INTERNATIONAL MONETARY FUND

April 1, 1958 through March 31, 1959

### Thirteenth Annual Meeting of the Board of Governors

The Annual Meetings of the Board of Governors provide valuable opportunities for discussions with ministers of finance and heads of central banks, in addition to the formal discussions reported in the published summaries of the proceedings.

The Board, under the Chairmanship of Hubert Ansiaux, Governor for Belgium, held their Thirteenth Annual Meeting in New Delhi, India from October 6 through October 10, 1958. The Board heard the Managing Director's presentation of the Annual Report, discussed the policies and activities of the Fund and exchanged views on international developments and prospects. Recommendations of the Executive Directors with regard to changes in the Rules and Regulations, the establishment of a General Reserve and other business was adopted and the Seventh Regular Election of Executive Directors held. The principal matter engaging the attention of the Governors was a Resolution submitted by the Governor for the United States that the Executive Directors promptly consider the question of enlarging the resources of the Fund through increases in quotas.

At the closing session, the Governor for Peru was elected Chairman for the ensuing year and the Governors for China, France, India, the United Kingdom and the United States were elected Vice-Chairmen. The Fourteenth Annual Meeting will be convened in Washington, D.C., on September 28, 1959.

### Canadian Representation in the Fund

The Honorable Donald Methuen Fleming, Minister of Finance, has been the Canadian Governor of the Fund since June 28, 1957. Mr. James Elliott Coyne, Governor of the Bank of Canada, is the Alternate Governor. Mr. Louis Rasminsky is the Executive Director for Canada and Mr. Alan B. Hockin is his Alternate.

### Membership

The following countries became members of the Fund in the year under review:

| Country | Quota | Date of Membership |
|---|---|---|
| Libya | $ 5 million | September 17, 1958 |
| Morocco | 35 million | April 25, 1958 |
| Spain | 100 million | September 15, 1958 |
| Tunisia | 10 million | April 14, 1958 |

With the merging of Egypt and Syria into a single state, the United Arab Republic became a single member of the Fund with one quota.

On January 30, 1959 the Philippine Republic expressed formal consent to the requested increase in its quota from U.S. $15 million to U.S. $50 million, the aggregate quotas of the 68 members of the Fund thus becoming U.S. $9,228,000,000.

Enlargement of the Fund's Resources

The Board of Governors adopted the following Resolution at their annual meeting: "That the Executive Directors promptly consider the question of enlarging the resources of the Fund through increases in quotas and that, if, having regard to views expressed by Governors and considering all other aspects of the matter, they find that action to carry out such increases would be desirable, they submit an appropirate proposal to the Board of Governors for action either at a meeting of the Board or by vote without a meeting as the Executive Directors may determine."

The Executive Directors submitted their report and recommendations on this subject to the Board of Governors on December 22, 1958. In their report the Executive Directors concluded that a general increase of 50 per cent in quotas, together with larger increases for Canada, the Federal Republic of Germany and Japan, was highly desirable. The Governors were requested to communicate their approval or disapproval of the Executive Directors' recommendations by February 2, 1959. For the decision of the Board of Governors to be effective, affirmative votes were required from Governors representing members having at least 80 percent of the present quotas in the Fund. When voting was completed, the Fund had received affirmative votes from Governors representing countries with more than 99 percent of the present quotas.

The Governors thus adopted the recommendations of the Executive Directors as a proposal for action by the 68 member governments of the Fund. It remains for each member country to complete the legal procedures necessary to accept the increase in quota offered to it, and to make the indicated payments to the Fund. None of the increases in quota becomes effective unless the Fund determines that members having not less than 75 per cent of the total of quotas on January 31, 1959 have consented to increases in their quotas. The proposal requests the members to notify the Fund of acceptance of the increase in their quotas by September 15, 1959. A number of members had carried the necessary procedural steps a considerable distance at the close of the period covered by this report.

Subject to the provisions of the Resolutions, the increased quota available to Canada is $550 million. The increased quotas available to Germany and Japan, the two other members for which special increases were recommended, are $787.5 million and $500 million respectively.

Requests for increases beyond 50 per cent of quota were received from a number of other members. In the same Report, the Executive Directors had said that they would submit recommendations on these additional requests as expeditiously as possible, and on March 6, 1959, their proposals were submitted in a further Resolution which was, in effect, an extension of the Resolution on the increases for Canada, Germany and Japan. The Governors were requested to vote on this further Resolution by April 6, 1959.

Use of the Fund's Resources

Currency drawings from the Fund by its members from April 1, 1958 through March 31, 1959 are summarized as follows:

FUND TRANSACTIONS - April 1, 1958 through March 31,1959

| try | Deutsche Mark | Pounds Sterling | U.S. Dollars | Total |
|---|---|---|---|---|
| ina | | | 15,500,000 | 15,500,000 |
| a | | | 1,000,000 | 1,000,000 |
| | | | 54,750,000 | 54,750,000 |
| | | | 4,400,000 | 4,400,000 |
| | | | 25,000,000 | 25,000,000 |
| | DM 126,000,000 ($ 30,000,000) | | 36,250,000 | 66,250,000 |
| | | | 2,667,000 | 2,667,000 |
| as | | | 1,250,000 | 1,250,000 |
| | | | 22,500,000 | 22,500,000 |
| gua | | | 1,875,042.67 | 1,875,042.6 |
| ay | | | 750,000 | 750,000 |
| | | | 12,000,000 | 12,000,000 |
| pine lic | | | 8,750,000 | 8,750,000 |
| | | £ 1,785,714-5-9 ($5,000,000) | | |
| | DM 52,500,000 ($ 12,500,000) | | 12,500,000 | 25,000,000 |
| of Africa | | £ 4,000,000 ($11,200,000) | 5,000,000 | 16,200,000 |
| | DM 178,500,000 ($ 42,500,000) | £ 5,785,714-5-9 ($16,200,000) | $204,192,042.67 | $262,892,042.6 |

Of the total amount purchased between April 1, 1958 and March 31, 1959, $68,750,000 was purchased in accordance with arrangements for immediate drawings and $194,142,042.67 was drawn by 12 members in accordance with the stand-by arrangements which they had made with the Fund. Waivers under Article V of the Fund Agreement were granted in connection with all drawings made during the period except that of the Philippine Republic, and with all stand-by arrangements save the arrangement with Pakistan. The stand-by arrangement made with the United Kingdom in December 1956 was extended for a further period.

The amounts covered by stand-by arrangements which were in force during the period are:

STAND-BY ARRANGEMENTS
(Amou ts Expressed in Millions of U.S. Dollars)

| r | Date of Arrangement | Date of Expiration | Amount of Arrangement | Amount Purchased | Amount Available Mar.31/59 |
|---|---|---|---|---|---|
| tina | Dec.19,1958 | Dec.18,1959 | 75.00 W | 15.50 | 59.50 |
| ia | Dec.29,1958 | Feb.28,1959 | 3.50 W | 2.00 | Expired |
| l | June 3,1958 | June 2,1959 | 37.50 W | 54.75 A/ | -0- |
| | Apr. 1,1958 | Mar.31,1959 | 10.00 W | 4.40 | 5.60 |
| bia | June 19,1958 | June 18,1959 | 15.00 W | -0- B/ | 20.00 |
| lvador | Oct.1,1958 | Mar.31,1959 | 7.50 W | -0- | 7.50 |
| e | Jan.31,1958 | Jan.30,1959 | 131.25 W | 131.25 | -0- |
| | July 14,1958 | July 13,1959 | 5.00 W | 2.67 | 2.33 |
| ras | Jan.29,1959 | Jan.28,1960 | 4.50 W | 1.25 | 3.25 |
| o | Mar.5,1959 | Sept.4,1959 | 90.00 W | 22.50 | 67.50 |
| agua | Sept.15,1958 | Mar.14,1959 | 7.50 W | 1.88 | Expired |
| tan | Dec.8,1958 | Dec.7,1959 | 25.00 | -0- | 25.00 |
| uay | July 30,1958 | July 29,1959 | 1.50 W | 0.25 | 1.25 |
| | Feb.10,1959 | Feb.28,1959 | 25.00 W | 12.00 | Nil |
| | Mar. 1,1959 | Feb.29,1960 | 13.00 W | -0- | 13.00 |
| of h Africa | Apr. 8,1958 | Apr.7,1959 | 25.00 W | 11.20 | 13.80 |
| d dom | Dec. 22,1958 | Dec.21,1959 | 738.53 W | -0- C/ | 938.53 |
| | | | 1,202.78 | | 1,157.26 |

25 repurchased July 8, 9, 1958.

00 repurchased December 15, 1958.

00 repurchased March 19, 1959.

Repurchases of their currencies from the Fund during April 1, 1958 through March 31, 1959 were made by members as follows:

| per | U.S. Dollar | Repurchases made With Gold (Equivalent in U.S.$) | Total |
|---|---|---|---|
| gium | | 49,975,817.99 | 49,975,817.99 |
| zil | 17,250,000 | | 17,250,000 |
| na | 3,000,000 | | 3,000,000 |
| mbia | 5,000,000 | | 5,000,000 |
| . | 24,999,980.40 | | 24,999,980.40 |
| nark | 30,202,868.49 | 2,281,948.87 | 32,484,817.36 |
| luras | 3,749,648.40 | | 3,749,648.40 |
| el | 3,696,085.79 | 53,843.36 | 3,749,929.15 |
| n | 125,000,000 | | 125,000,000 |
| erlands | 44,118,272.77 1/ | 19,620,700.63 | 63,738,973.40 |
| ragua | 1,875,006.99 | | 1,875,006.99 |
| ippine ublic | 2,500,000 | | 2,500,000 |
| key | 4,000,000 | | 4,000,000 |
| ed ngdom | 200,000,000 | | 200,000,000 |
| | 465,391,862.84 | 71,932,310.85 | 537,324,173.69 |

des U.S. $6,049.99 at Canadian $0.969375 = Canadian $5,864.71

dition, three members, Honduras, Iran and Turkey substituted gold ollars in the amounts of $11,335.10, $7,118,880.10 and $4,101,483.50 spect of repurchases previously made.

The revised schedule of charges which has been in effect since January 1, 1954, and which expired on December 31, 1958, was extended by the Executive Board to April 30, 1959.

Sales of currency since the Fund started operations on March 1, 1947, have totaled the equivalent of US $3,274,119,693.04 through March 31, 1959 and have been made to 37 members. In addition, as indicated above, another $1,157,260,000 is still available to be drawn under stand-by arrangements.

Repurchases and other operations having the same effect on members' balances have totaled US $1,661,398,560.12 in the same period.

On March 31, 1959, the Fund's holdings of member countries (including nonnegotiable, noninterest bearing notes) totaled $6,759,666,090.96 of which $957,389,512.45 was in U.S. dollars. The Fund's total holdings of gold and convertible currencies amounted to US $2,905,430,530.10 of which $1,552,155,962.20 were in gold. The largest holding of convertible currencies other than U.S. dollars was in Canadian dollars equivalent to US $209,987,593.77. Two hundred million dollars of the Fund's gold has been invested in short-term U.S. Government securities, as authorized in January 1956.

Since the inception of the Fund's gold transactions service was authorized in March 1952, transactions equivalent to $731 million have been completed.

Gold Transaction Service

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended by including three international organizations and several non-member countries among those who are permitted to use it.

Since March 1952, the central banks of 24 member countries and 3 international organizations have effected purchases and sales of gold through the facilities provided by this service.

During the period under review 9 transactions were completed by the Fund, amounting to a total of about $61 million. The total number of transactions since March 1952 is 95, amounting in all to about $731 million.

## Gold Subsidies

Canada consulted the Fund with regard to the extension of the provi ions of its Emergency Gold-Mining Assistance Act through 1959 and 1960, and a 25 per cent increase in the amount of assistance for the years 1958, 1959 and 1960. The increase is intended to offset a continuing rise in production costs and the effect of the free exchange rate which has kept the official price of gold in local currency lower than in former years. The basic structure of the subsidy remained unchanged and the amendment was deemed to be not inconsistent with the objectives of the Fund's statement of December 11, 1947 on gold subsidies.

The United Kingdom, which has accepted the Articles of Agreement of the Fund in respect of the Government of Fiji, consulted the Fund with regard to a plan of financial assistance to Fiji's only gold producer, under which the amount of subsidy would be related to the economic need of the mine. The proposal was deemed to be consistent with the objectives of the Fund's statement on gold subsidies of December 11, 1947.

## Par Values

During the period under review, initial par values were established for the following member countries:

| Member | Currency | Currency Units per U.S. Dollar | Established |
|---|---|---|---|
| Ghana | Pound | .357143 | November 5, 1958 |
| Ireland | Pound | .357143 | May 14, 1958 |
| Sudan | Pound | .348242 | July 23, 1958 |

Initial par values have now been agreed between the Fund and all but 15 of its members - Afghanistan, China, Greece, Indonesia, Italy, Korea, Libya, Malaya, Morocco, Saudi Arabia, Spain, Thailand, Tunisia, Uruguay, and Viet-Nam. Five of these members - Libya, Malaya, Morocco, Spain and Tunisia joined the Fund during 1958.

France, which in 1948 altered the par value of its currency and had not agreed a new par value with the Fund, proposed a par value of F 493.706 per US $1 on December 29 (as compared with a previous rate of F 420 per US $1), which was agreed by the Fund.

## Changes in Exchange Systems

The most important of the changes made in the exchange systems of member countries during the past year was the establishment of external convertibility for the currencies of Austria, Belgium, Denmark, Finland, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, and the United Kingdom at the end of 1958. Under the

revised exchange control regulations, all the countries concerned permit their authorized banks to engage in foreign exchange arbitrage between U.S. dollars and externally convertible European currencies,1/ including balances on convertible nonresident accounts and on transferable nonresident accounts, where these are still maintained. In this connection, Austria, Belgium-Luxembourg, Denmark, the Federal Republic of Germany, Italy, Norway, Sweden and the United Kingdom, unified their nonresident convertible and transferable accounts; in France and the Netherlands the two types of account remain separate in name although transfers may be freely made from one to the other. In all these countries the prescription of currency requirements has been considerably simplified by removing the distinction between payments to and from dollar countries and payments to and from countries in the transferable area. All these countries except the Federal Republic of Germany and the United Kingdom continue to operate bilateral accounts with certain countries, mainly in the Soviet bloc.

All the countries mentioned above have fixed official limits for trading in U.S. dollars against their own currencies. These limits are approximately 3/4 per cent either side of the parity rates, except in Sweden where the limits are narrower (about one-third per mille).

Other important changes in members' exchange systems include the following:

On August 1, Argentina, after resuming the granting of exchange permits and authorizations for customs clearance for more essential goods, authorized imports payable partly or entirely through the free exchange market. On December 29, a comprehensive stabilization program, including the reform of the restrictive system, was announced to become effective on January 12, 1959. The complex multiple exchange rate structure was essentially unified, and the official rate of M$N 18 to the U.S. dollar was no longer applicable to any transaction; the peso was allowed to fluctuate freely. All controls over imports and exports, except for exchange surrender requirements, were removed. At the same time, surcharges on certain imports, taxes on the proceeds of certain exports, and advance deposit requirements on certain imports were introduced. The Paris Club arrangements, in so far as they affected current payments, were discontinued.

In Australia from January 19 payments for imports from countries outside the Sterling Area could be made in any currency and discrimination on payments for invisibles as between the dollar area and other countries outside the Sterling Area was eliminated.

In Brazil the effective import and export exchange rates have been changed on several occasions. In June new bonuses for minor exports were established. In October, some of these exports were reclassified into categories to which more depreciated rates applied. The special export rate of Cr$103.00 per dollar for exports of textiles was abolished. As a result of these changes the effective rates applicable to the four export categories were Cr$37.06, Cr$43.06, Cr$70.00, and Cr$92.00 per U.S. dollar. Exchange proceeds from exports not listed under either of the four categories were permitted to be negotiated in the free market. In addition, exports of coffee beans continued to receive a variable bonus which, as from July 1, became payable on the basis of a 3 per cent increase in the total cruzeiro return, calculated at the Cr$37.06 rate for each U.S. dollar that the sale price exceeds $40 per 60 kilogram bag. Surcharges for imports and payments receiving privileged treatment were also changed on two occasions, being eventually unified into a single surcharge of Cr$61.18 per U.S. dollar, yielding an effective rate of Cr$80.00 per US$1. During the period under review various changes were made in the operation of the auction market.

As a consequence of the introduction of external convertibility in most Western European countries, Brazil on January 21 combined the auctions for U.S. dollars and ACL dollars thus removing the discrimination between the two currencies.

In China (Taiwan) from November 21, all exchange transactions have been taking place at the single rate of NT $36.38 per US$1. This change followed the simplification of the exchange system on April 12, 1958, after which there were only two effective exchange rates.

On January 18, Colombia set a new official rate for minor export proceeds which would vary in line with exchange rate fluctuations in the free market. Other varying exchange rates were attached to exports of manufactures with an import component and new special arrangements were established for the proceeds of petroleum exports. Licenses for imports from countries with which Colombia has a marked trade deficit are to be restricted.

On May 13, Ecuador introduced new surrender requirements in respect of exports of bananas to countries outside Europe, Latin America, and New Zealand. In October, the sale on the free market of proceeds from exports of certain building materials for prefabricated houses, latex, and kapok was authorized. In December, this treatment was extended to proceeds from exports of certain other products, including livestock, preserved meat and scrap iron. During the period under consideration some commodities were shifted from list I to list II or from these two lists to the prohibited list. There were also shifts from the prohibited list to list II.

On August 1, Egypt permitted tourists to bring in banknotes in unlimited amounts. Banknotes would also be accepted for some exports and up to 25 per cent for most other exports. On September 1, the surcharge payable on most imports was increased from 7 per cent to 9 per cent. As from October 21, banknotes in denominations of LE 50 and above were no longer accepted in payment of exports and could not be brought into the country by individuals. On September 4, the export account premium of 25 per cent buying, and 27 per cent selling, was changed to 17.6 per cent, buying and selling.

In Finland on April 12-14 arrangements were concluded with most Western European countries to increase liberalized trade between them and Finland and the list of goods liberalized for import from the dollar area was also expanded. The levy on export proceeds was gradually reduced and finally abolished on September 15. On May 14, Finland acceded to the multilateral trade and payments arrangements between Argentina and certain countries in Western Europe (Paris Club).

In France, the automatic allocation of foreign exchange to French tourists for travel abroad was suspended on May 21. On June 21, the system of surcharges and premiums was incorporated in the exchange system. The formal distinction between the "free" market for convertible currencies and the "official" market for eleven EPU currencies, the Czechoslovak koruna, and the Yugoslav dinar was eliminated. The "reference" rate of the U.S. dollar was fixed at F 420 per US$1.

The establishment of a new par value for the French franc and of external convertibility on December 29 was accompanied by the liberalization of private imports from OEEC countries up to 90 per cent (on the basis of 1948 imports) and of private imports from Canada and the United States to some 56 per cent (on the basis of 1953 imports); the elimination of the exchange tax of about 3 per cent on exchange allocation for residents travelling abroad; the elimination of the arrangement which allowed the reimbursement to hotels and rental agencies in France of the 10 per cent tax on account of a discount of the same amount granted to foreign tourists paying for services in specified foreign currencies; and the reduction of percentages applicable to exchange proceeds retained by exporters and other specified residents on EFAC accounts. On January 21, 1959, the regulations concerning capital investments by non-residents were liberalized to permit foreign investments to be repatriated freely and Capital Accounts were abolished.

On July 1, the Federal Republic of Germany abolished Liberalized Capital Accounts. Balances on such accounts were permitted to be transferred to freely or partly convertible DM Accounts, transferred abroad in any currency or treated as balances in freely or partly convertible currencies. On December 29, in connection with the external convertibility moves, a general license permitted payments between the Federal Republic of Germany and other countries to be made in deutsche mark or any foreign currency, thus removing all restrictions on foreign payments and achieving internal as well as external convertibility for the deutsche mark.

On May 29, Iceland introduced three new exchange premiums of 55, 70 and 80 per cent for export proceeds. These replaced the assistance previously granted to exports through different forms of subsidization. The premium of 55 per cent was also made applicable to most incoming invisibles and capital. New exchange taxes of 30 per cent and 55 per cent were applied to all payments for imports, replacing the previous exchange tax of 16 per cent. Import fees of 22, 40 and 62 per cent, depending on the type of commodity, replaced the previous fees, and were made applicable to imports from all countries. Payments for most outgoing invisibles were subject to the 55 per cent tax with the exception of tourist exchange to which an additional tax was applied, making a total of 100 per cent on such payments.

On July 15, Israel increased the premium on the net value added to industrial exports for receipts in Norwegian, Danish and Finnish clearing to IL0.850 per US$1. On December 7, the distinction between "A" and "B" blocked accounts was abolished, and the margins within which balances in these accounts were allowed to be used for certain local payments were widened. The 30 per cent discount on the proceeds of exports to Turkey was abolished and exports to that country were made eligible for the premium of IL0.850 per US$1 of added value. Exports to Iceland were given the export premium of IL0.850 per US$1 of added value, after a deduction of a discount of 10 per cent of the export proceeds. On December 30, the 10 per cent discount on the proceeds of exports received in Hungarian and Polish clearing dollars was abolished. On March 15 a 20 per cent premium was granted on exchange surrendered by foreign tourists in Israel.

In Japan on December 26, 1958 the prescription of currency requirements governing settlements with foreign countries was simplified by dividing them into three groups: bilateral, convertible, and others. From January 31 the two latter were combined and payments to countries not in the bilateral group were permitted in any designated currency.

In Jordan on January 7 the practice of providing exchange at free market rates for imports of non-essential goods was discontinued. All permitted imports from countries outside the Arab League would be granted foreign exchange at the official rate.

On August 28, in Korea the system of tying sales of exchange to sales of national bonds was replaced by foreign exchange taxes. The auctioning of foreign exchange was maintained, but the difference between the successful bid prices and the official rate has to be paid to the Government as an exchange tax. In addition, a tax of 150 hwan was levied on each dollar sold. These taxes are applied to all sales of foreign exchange except exchange sold to specified end-users, the Government, or diplomats for their own use. Specified end-users do not bid for exchange but pay only the tax of 150 hwan per US$1.

In Paraguay, numerous changes have been made in the amount and application of advance deposit requirements imposed on imports. On January 1, the tax of 15 per cent on the value of exports was reduced to 7½ per cent and on February 16 a surcharge of 5 per cent was imposed on imports from most countries.

On June 4, Saudi Arabia revised its import and exchange control system. Essential imports payable at the official rate were made subject to licensing. Other imports can be effected without an import license, provided that exchange is obtained on the free market. Since then, the exchange rate in the free market has appreciated and frequent fluctuations in the rate have been virtually eliminated.

On August 15, Spain increased the bonus on certain exports from Pts 3 to Pts 8, making an effective rate of Pts 50 per US$1; a rate of Pts 50 per US$1 was announced for the proceeds of woolen textile exports; a temporary import tax of 25 per cent was imposed on certain imports (representing nearly 40 per cent of Spain's total imports).

On June 23, Tunisia, following a similar move by France, abolished the 20 per cent surcharge and premium on payments to and from countries not in the franc area. The U.S. dollar exchange rate then became 420 francs per US$1. Spot and forward purchases and sales of foreign exchange for such payments could be made on the basis of the official market quotations for the individual currencies. A list of merchandise was established containing articles which would benefit by a 16 2/3 per cent premium on the f.o.b. value on importation; exports of the same articles were made subject to a 16 2/3 per cent surcharge. On November 1, a new monetary unit to be called "Tunisian dinar" was introduced, replacing the Tunisian franc at a ratio of one dinar to 1,000 francs. The administration of exchange control was transferred from the Delegation of the Exchange Control Office in Tunis to the Central Bank of Tunisia.

On August 4, Turkey introduced major changes in its exchange rate system as a part of a stabilization program. All existing effective rates were replaced by the following measures: Exports were classified into three categories, exchange proceeds from which were granted exchange premiums of LT 2.10, 2.80 and 6.20 per U.S. dollar, respectively. The exchange rate of LT 2.80 remained temporarily in effect for exports of opium. The effective rate of LT 9.00 per US $1 was made applicable also to incoming invisibles and capital. The same effective rate was made applicable to all sales of exchange. The 40 per cent tax on certain imports was temporarily retained, but it was to be gradually abolished. All barter deals were abolished. New rules were also established for transfers to Turkey of funds for investment purposes and for capital remittances abroad. On September 23, detailed rules and procedures were set for import licensing, including the establishment of global exchange quotas for listed products, a 100 per cent advance deposit requirement and rules for the utilization of import licenses. In December, the 40 per cent tax on imports was abolished.

On June 3, Uruguay established premiums for selected exports on a case-to-case basis. On September 11, the number of export groups was reduced from six to four, and the effective exchange rate for major exports considerably devalued. The following U.S. dollar exchange rates were established: for Group A, Ur$4.1025; for Group B, Ur$3.7128; for Group C, Ur$3.4566; for Group D, Ur$2.8107. Previously, there were six main export rates ranging between Ur$1.519 and Ur$4.1025 per U.S. dollar. Effective until January 31, 1959, a temporary premium of 10 centavos per US$1 was established for all exports. The list of import commodities subject to the Ur$2.10 rate was revised and certain commodities previously in this category were shifted to Group A with an exchange rate of Ur$4.10. On November 3, the rate applicable to imports of seeds of various types was increased by Ur$0.581. In December, frozen and chilled meats were granted the certificate market rate (Ur$4.10 per US$1) plus exchange premiums ranging from 28 per cent to 77 per cent of this rate. At the same time an import quota of US$7 million was announced, and import surcharges were established of Ur$1.50, Ur$2.50 and Ur$3.50, for specified Category I, II and III imports, respectively.

On June 2, Viet-Nam reduced the stabilization tax on dollar transactions from VN$75 to VN$60 per US$1, and that on sterling transactions from VN$182 to VN$168; as a result of these reductions penalty rates (official rates plus tax) were established of VN$95 per US$1 and VN$226 per £1. The penalty rate for the French franc remained unchanged at VN $0.1623 per F 1. On July 1, part of the triangular French franc balances held by Viet-Nam become conditionally transferable.

On June 25, Yugoslavia introduced import licensing for imports of finished equipment and consumer goods. On July 23, the number of import coefficients was reduced from 19 to 12 and the number of export coefficients from 16 to 14.

## Consultations 1958-1959

The Ninth Annual Report on Exchange Restrictions, published in June 1958 surveyed developments in exchange restrictions throughout the world during the previous 12 months, and described the main features of the exchange systems of all Fund members and of 7 other countries. The forthcoming Tenth Annual Report on Exchange Restrictions will record the series of important changes in the exchange systems of various members which have taken place recently.

Of the 68 members of the Fund, 57 have an obligation to consult with the Fund under Article XIV of its Articles of Agreement on the further retention of restrictions on current payments. The Seventh Series of consultations began in March 1958. From April 1, 1958 to March 31, 1959, 37 consultation discussions were concluded. In connection with 36 of these, Fund missions visited member countries. Discussions with representatives of the Australian Government were held in Washington. In addition, several consultations were begun but not concluded within the period under review. As in the past, these consultations have provided opportunities for discussion not only of the economic and financial problems which have given rise to restrictive and discriminatory practices, but also of the possibilities of further relaxation. The Fund is continuing its endeavors to help in the elimination of restrictions, and much of its effort has been employed in advice and assistance to members that are trying to advance toward this objective. The Fund has welcomed the measures taken recently by a number of European countries in establishing nonresident convertibility for their currencies, as representing a major step toward a truly multilateral system of payments in accordance with the objectives of the Fund.

## Technical Assistance

The provision of technical assistance is an increasingly important function of the Fund and a significant number of the staff is generally engaged in this activity. In some instances, at the request of a member country concerned, or of another international organization, officials of the Fund are assigned as technical advisers for periods of six months or more. Several officials are at present on assignments of this sort.

From April 1, 1958 through March 31, 1959 members of the staff visited 57 countries for purposes of consultation, technical assistance, and the informal exchange of views and information.

In addition to the visits paid by staff members, the frequent visits made to member countries by the Managing Director and the Deputy Managing Director have provided valuable opportunities for close and continuous exchange of views. Members of the Executive Board play an important role in keeping the Fund adequately informed of current trends in the countries

they represent, and visits to Washington by officials from member countries, which are frequently made when some special matter, such as the negotiation of a stand-by arrangement, is under consideration, also help to ensure that the Fund should function as a genuinely cooperative international organization.

## Training Program

The Fund's training program offers specialized instruction and practical work in the main area of the Fund's competence to officials from central banks and government departments in member countries. The most recent program, begun in September 1958, has 22 participants including 3 six-month appointees from the following countries: Afghanistan, Belgium, Brazil, Chile, Egypt, Haiti, Iceland, India, Iran, Iraq, Italy, Japan, Jordan, Korea, Mexico, Nicaragua, Paraguay, Saudi Arabia, Thailand, Turkey, Union of South Africa and Yugoslavia. Participants since the inception of the program number 165 from 55 member countries.

## Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has maintained close contacts with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade, the Organization for European Economic Co-operation, and the Bank for International Settlements. As in the past, Fund missions attended meetings of the CONTRACTING PARTIES in Geneva, and the CONTRACTING PARTIES were represented at the Annual Meeting of the Board of Governors of the Fund. The CONTRACTING PARTIES consulted with the Fund in connection with the GATT consultations with individual governments on the discriminatory application of import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions were concerned. The Fund transmits to the CONTRACTING PARTIES the results of its own Article XIV consultations with the various governments consulting under the General Agreement on Tariffs and Trade, together with background material relating to such countries, and the Fund missions cooperate with the GATT working parties conducting the consultations.

Close liaison has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with the staffs of these agencies, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. Fund representatives have attended meetings of the General Assembly of the United Nations; of the Economic Commissions for Asia and the Far East, for Europe, for Latin America, and for Africa; and of the

UN Administrative Committee on Co-ordination and its subsidiary bodies. The Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 25th Session of the UN Economic and Social Council in April 1958.

Participants in the training program of the Fund have had the opportunity of spending time also at the United Nations, and reciprocal arrangements have given a number of UN trainees some on-the-spot knowledge of Fund purposes and techniques.

Publications

In addition to the Thirteenth Annual Report of the Executive Directors, the Ninth Annual Report on Exchange Restrictions and the Report on Enlargement of Fund Resources through Increases in Quotas, the following publications were issues:

Balance of Payments Yearbook Volume X

Staff Papers, Volume VI, No. 2; Volume VI, No.3

Summary Proceedings of the Thirteenth Annual Meeting

International Reserves and Liquidity

International Financial Statistics

International Financial News Survey

Direction of International Trade (in conjunction with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations)

Schedule of Par Values - 25th, 26th and 27th Issues

By-Laws Rules and Regulations, 17th Issue

# REPORT

# ON

# OPERATIONS UNDER THE
# BRETTON WOODS AGREEMENTS ACT

# DURING THE

# FISCAL YEAR 1959-60.

To His Excellency,

Major-General Georges P. Vanier, D.S.O., M.C., C.D.,

Governor-General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreements Act during the fiscal year 1959-60.

All of which is respectfully submitted.

Donald M. Fleming,

Minister of Finance.

Ottawa, April 25, 1960.

Introductory Note

The present report contains a summary of the operations of the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation during the period April 1, 1959 through March 31, 1960. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description, not repeated here, of each of the institutions is contained in last year's report on operations during the fiscal year 1958-59.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Bank and the International Monetary Fund, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The three organizations are closely linked in membership and general fields of endeavour. Membership in the International Bank for Reconstruction and Development is a prerequisite for membership in the International Finance Corporation; and membership in the International Monetary Fund is a prerequisite for membership in the International Bank. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the three organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all three organizations in the same group of buildings in Washington, D.C.

## THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Following is a summary of the main activities, including the lending and borrowing operations, of the Bank during the fiscal year April 1, 1959 to March 31, 1960.

### Lending Operations

During the period April 1, 1959 through March 31, 1960, the Bank made 30 loans in 18 member countries or their territories with the members' guarantee totalling U.S. $743.4 million equivalent, details of which are shown in Table I. Private investors continued to acquire portions of the Bank's loans. Private banks and other investors in the United States, Canada, Europe, Japan, South Africa and the United Arab Republic, participated in 19 of these loans at the time they were made, in all cases without the Bank's guarantee. Bank loans in 1957-58 and 1958-59 totalled the equivalent of U.S. $524 million and U.S. $746 million respectively. As of March 31, 1960 the total of all Bank loans amounted to U.S. $5,077 million equivalent, of which $3,731 million had been disbursed on March 31, 1960.

The Bank's lending interest rate during the year varied from 5-3/4% to 6-1/4%, including 1% commission, and stood at 6% at March 31, 1960.

### The Capital Increase of 1959

The Bank has two main sources of funds for lending purposes, first, through capital subscriptions of its members and second, through the sale of Bank bonds in the principal financial markets of the world. The first is limited to 2% of each subscription, payable in gold or U.S. dollars and freely used in any Bank operations, and 18% of each subscription payable in the currency of the subscribing member and used for loans only with the member's consent; the remaining 80% of each subscription is subject to call only when required to meet obligations of the Bank, constituting guarantees of member governments against which the Bank is able to issue its own bonds.

By the end of 1958 the outstanding funded debt of the Bank had risen to nearly $2 billion, of which three-quarters was in the form of U.S. dollar obligations. At the then current rate of borrowing by the Bank it seemed likely that the Bank's dollar debt would in a few years come to equal, if not to exceed, the total of the uncalled portion of the United States subscription and it was felt that the Bank's future borrowing in the investment market would be facilitated by an increase in the uncalled portion of members' subscriptions. Accordingly, at the Annual Meeting of the Bank's Board of Governors in New Delhi in 1958, the Board of Governors adopted a resolution proposed by the Governor for the United States, that the Executive Directors of the Bank promptly consider the

question of enlarging the resources of the Bank through an increase in its authorized capital and submit an appropriate proposal to the Board of Governors.

In response to this resolution the Executive Directors of the Bank, in December 1958, submitted to the Governors a number of recommendations which were adopted by the Board of Governors. Pursuant to these, the authorized capital stock of the Bank was increased from $10 billion to $21 billion, effective September 15, 1959. Each member was given an opportunity to double its subscription compared to what it was on January 31, 1959. Since the purpose of the capital increase was to raise the Bank's guarantee resources, rather than to obtain cash funds from member governments for lending, one of the resolutions adopted by the Board of Governors provides that the 2% and 18% portions of subscriptions on account of this general increase are to be called only when required to meet obligations of the Bank for funds borrowed or loans guaranteed by it. While this resolution is not legally binding on future Boards of Governors, the resolution does record an understanding among members that these portions of subscriptions on account of the general increase shall not be called for use by the Bank in its lending activities or for administrative purposes.

In addition to the doubling operation, a number of countries, including Canada, Germany and Japan, undertook to make special increases in their subscriptions, in addition to the 100% general increase. Canada's special increase of $100 million raises its total subscription to $750 million. In order to preserve parity of treatment between members, the subscription of the special increases involves the payment by the member countries concerned of 1% in gold or dollars and of 9% in the currency of the member.

By the end of the first quarter of 1960 most of the member countries of the Bank had completed action to increase their subscriptions and the result was a rise in subscribed capital to over $18.9 billion by March 31, 1960, compared to $9.5 billion a year before. The effect of this large increase in the Bank's capital was to provide a substantial reinforcement of the security offered to investors and therefore of the Bank's borrowing power. In the case of the United States, for example, the portion of its subscription remaining on call rose from $2,540 million to $5,715 million, and for the United Kingdom, from $1,040 million to $2,340 million.

Lending Resources

a. From Capital Subscriptions

Funds available for lending have been expanded by the 2% portion of capital subscriptions of members, and by releases of the 18% portion of capital subscriptions by a number of countries. As of March 31, 1960 the Bank had been able to use

or allocate to loans the equivalent of approximately U.S. $1,621 million from 18% releases, including Canada's fully released 18% subscription, and from 2% subscriptions.

b. Bond and Note Issues

The new issues offered by the Bank during the period April 1, 1959 to March 31, 1960 totalling the equivalent of $437.1 million are set out in Table II.

The total of the Bank's Funded Debt outstanding on March 31, 1960 was the equivalent of approximately U.S. $2,066 million, an increase of approximately U.S. $226 million since March 31, 1959. Of the outstanding funded debt about U.S. $1,705 million was denominated in U.S. dollars, approximately $34 million in Canadian dollars and the remainder in sterling, Netherlands guilders, Swiss francs, Deutsche marks, and Belgian francs.

c. Sale of Bonds from Bank's Portfolio

During the period April 1, 1959 through March 31, 1960, the Bank sold or agreed to sell to private and other investors the equivalent of about U.S. $219 million principal amount of loans it had made. This compares with sales of U.S. $61 million in the year 1956-57, $80 million in the year 1957-58 and $93 million in the year 1958-59. All sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1960 aggregated about U.S. $711 million, of which U.S. $300 million had been retired by the borrowers.

Earnings and Reserves

The net earnings of the Bank in the 12 months to March 31, 1960 amounted to approximately U.S. $58 million, which was transferred to the Supplemental Reserve Against Losses on Loans and Guarantees. In addition the Bank added U.S. $26 million to its Special Reserve during this period. On March 31, 1960, the Supplemental Reserve amounted to a total of approximately U.S. $327 million and the Special Reserve to approximately U.S. $158 million.

1959 Annual Meeting.

At the Fourteenth Annual Meeting of the Board of Governors held in Washington, D.C., in September 1959, the Governors reviewed the Bank's operations during its fiscal year 1958-59; the occasion also provided an opportunity for an exchange of views by Governors on the problems of economic development in general.

The President, Mr. Eugene R. Black, who was delivering his tenth anniversary address to the Governors, devoted a large part of his address to an account of the growth in the scope and activities of the Bank since 1949. He described the recently approved doubling of the Bank's authorized capital as a truly

impressive vote of confidence in the Bank. He reported a continuation in 1958-59 of the high level of lending which had been achieved the previous year. In referring to the Bank's important role in mediating economic conflicts among members, he reported on efforts to bring about a settlement of the Indus River Waters dispute between India and Pakistan and on the Bank's discussions with friendly governments in regard to the participation by them in the financing of the large engineering plan essential to the settlement. On March 1, 1960, the Bank announced that several friendly governments, including the Canadian Government had given assurances of their readiness to participate with India, Pakistan and the Bank in financing a ten-year construction plan. The participation of the governments concerned is contingent on the ratification by India and Pakistan of a Water Treaty now under negotiation and subject to appropriate Parliamentary or Congressional action in each case.

The principal item of new business before the Annual Meeting was the proposal by the United States Governor for the establishment of the International Development Association (IDA) as a new affiliate of the Bank. The Governors unanimously adopted the following resolution:

> " Resolved: That with respect to the question of creating an International Development Association as an affiliate of the Bank, the Executive Directors, having regard to the views expressed by Governors and considering the broad principles on which such an Association should be established and all other aspects of the matter, are requested to formulate articles of agreement of such an Association for submission to the member Governments of the Bank. "

After careful study by the Executive Directors, draft articles, together with a report related thereto, were submitted to all member governments of the Bank by the President on January 29, 1960. The Articles will remain open for signature by original members until December 31, 1960.

## Technical Assistance and Other Activities

The Bank continued to provide assistance to a number of countries on specific problems and to post resident representatives in member countries to assist in dealing with

development problems. Mission studies on Libya, Tanganyika, and Venezuela, being prepared for publication, will bring to 19 the number of general surveys the Bank has made of the economies of member countries or their territories. Apart from a number of advisory missions of short duration, technical assistance of a more specialized nature was continued in Peru, Pakistan and Iran; specialized activities, previously reported, in Ceylon, Ecuador and Haiti were completed. Interest in the establishment and operation of development banks continued, with the Bank providing advice to China (Formosa), Iran, Paraguay and Peru.

The President of the Bank is a member of the three-man Consultative Board of the U.N. Special Fund. The Bank was active during the year in assisting the Special Fund with its first undertakings. Forty-four projects have been approved; the Bank has agreed to administer four of these projects.

The Economic Development Institute, the Bank's staff college for senior officials of less developed member countries for the study of economic management, completed its fourth regular course during the year, and started the fifth in October. In addition, the Institute conducted a short summer course in economic development at the University College of the West Indies in Jamaica; this was at the invitation of the College and the Government.

The Bank continued its general training program for officials of more junior rank than those who attend the Economic Development Institute. Nine ~~young~~ nationals from the Bank's member countries spent six months studying the Bank and its methods of dealing with economic development problems.

## Membership

The membership of the Bank remained unchanged during the year under review, and still consists of 68 countries. Applications for membership have been approved for Portugal and Laos; both these countries have until June 1960 to take up membership.

## Canadian Representation

The Honourable Donald Methuen Fleming, Minister of Finance, continued as Governor of the Bank and Mr. A.F.W. Plumptre, Assistant Deputy Minister, Department of Finance, as the Canadian Alternate Governor of the Bank. Mr. Louis Rasminsky continued during the year as Executive Director for Canada and Ireland. Mr. Alan B. Hockin, his Alternate, was replaced by Mr. C. L. Read on May 1, 1959.

TABLE I

IBRD - LOANS

(April 1, 1959 through March 31, 1960)

| mber untry | Principal Amount (in millions of U.S. dollars) | Date of Agreement | Term | Interest* Rate | Purpose |
|---|---|---|---|---|---|
| dia | $ 25.000 | 8 Apr. '59 | 25 years | 5-3/4% | Power |
| aly | 20.000 | 21 Apr. '59 | 20 years | 5-3/4% | Industry & Power |
| nduras | 1.450 | 20 May '59 | 15 years | 6% | Power |
| lombia | 12.000 | 20 May '59 | 25 years | 6% | Power |
| an | 72.000 | 29 May '59 | 17 years | 6% | Highways |
| uth Africa | 11.600 | 10 June '59 | 10 years | 6% | Railways |
| azil | 11.600 | 17 June '59 | 20 years | 6% | Power |
| bon | 35.000 | 30 June '59 | 15 years | 6% | Mining & Transport of Manganese |
| rway | 20.000 | 8 July '59 | 25 years | 6% | Power |
| lia | 10.000 | 15 July '59 | 10 years | ** | Private Industry |
| lia | 50.000 | 15 July '59 | 20 years | 6% | Railways |
| kistan | 2.400 | 13 Aug. '59 | 15 years | 6% | Power |
| aly | 40.000 | 16 Sept.'59 | 20 years | 6% | Nuclear Power |
| stria | 9.000 | 25 Sept.'59 | *** | ** | Industry |
| kistan | 10.000 | 25 Sept.'59 | 10 years | ** | Industry |
| pan | 24.000 | 12 Nov. '59 | 15 years | 6% | Steel Production |
| pan | 20.000 | 12 Nov. '59 | 15 years | 6% | Steel Production |
| an | 5.200 | 23 Nov. '59 | 15 years | ** | Industry |
| kistan | 12.500 | 30 Nov. '59 | 15 years | 6% | Railways |
| geria-Sahara | 50.000 | 10 Dec. '59 | 12 years | 6% | Oil Pipeline |
| ited Arab Republic | 56.500 | 22 Dec. '59 | 15 years | 6% | Canal Improvement |
| ile | 32.500 | 30 Dec. '59 | 25 years | 6% | Power |

BRD-LOANS (Continued)

| ember ountry | Principal Amount (in millions of U.S. dollars) | Date of Agreement | Term | Interest* Rate | Purpose |
|---|---|---|---|---|---|
| uay | $ 7.000 | 30 Dec. '59 | 12 years | 6% | Livestock Development |
| mbia | 17.600 | 20 Jan. '60 | 25 years | 6% | Power |
| | 42.000 | 20 Feb. '60 | 25 years | 6-1/4% | Power, irrigation and flood control |
| n | 40.000 | 17 Mar. '60 | 23 years | 6-1/4% | Expressway |
| itania | 66.000 | 17 Mar. '60 | 15 years | 6-1/4% | Mining & transport iron ore |
| ian Congo | 7.000 | 30 Mar. '60 | 12 years | 6% | Agriculture |
| ian Congo | 28.000 | 30 Mar. '60 | 12 years | 6% | Transport |
| ian Congo | 5.000 | 30 Mar. '60 | 10 years | 6% | Transport |
| L | $743,350,000 | | | | |

Includes 1% commission, charged on all Bank loans

Loan made to development bank for relending for industrial projects; each part of loan allocated to a particular project will carry its own interest rate, which will be the Bank's current rate of interest at the time the project is approved for financing.

Amortization schedules will be agreed upon and determined in accordance with the circumstances of the particular beneficiary enterprise.

TABLE II

Bond and Note Issues Sold by the Bank During the Period April 1, 1959 to March 31, 1960

| Issue and Maturity | Principal Amount in U.S. $ equivalent | Annual Sinking Fund Requirements | |
|---|---|---|---|
| e in U.S. Dollars | | | |
| Notes of 1959, due 1961 | 5,000,000 | | None |
| Notes of 1959, due 1962 | 25,000,000 | | None |
| Two-Year Bonds of 1959, due 1961 | 100,000,000 | | None |
| Notes of 1959, due 1962 | 30,000,000 | | None |
| Notes of 1959, due 1961 | 2,500,000 | | None |
| nty-Five Year Bonds of 1960, February 15, 1985 | 97,400,000 (1) | 1970-79<br>1980-84 | $3,750,000<br>$5,000,000 |
| e in Belgian Francs | | | |
| -Year Bonds of 1959, due 1969 500,000,000) | 10,000,000 | | None |
| e in Deutsche Marks | | | |
| tsche mark Bonds of 1959, 1965-74 (DM 200,000,000) | 47,619,048 | | None |
| Notes of 1959, due 1961 10,000,000) | 2,380,052 | | None |
| Three-Year Notes of 1960 200,000,000)* | 47,619,048* | | None |
| e in Pounds Sterling | | | |
| nty-three Year Stock of 1959, 1982 (£10,000,000) | 28,000,000 | 1965-82 | £ 278,000 |
| e in Swiss Francs | | | |
| Twelve-Year Bonds of 1960, due (Sw. fr. 60,000,000) | 13,961,605 | | None |

The Bank has entered into agreements to sell additional bonds of this issue and delivery of these bonds will be made and payment therefor will be received by the Bank in the aggregate amount and at various dates to and including the date shown hereunder:

| Issue | Amount | Date of Final Delivery |
|---|---|---|
| 5% 25-Year Bonds of 1960, due 1985 | $27,600,000 | February 15, 1962 |

der the loan agreement covering these notes the Bank may, from time to time, prior January 31, 1961, draw down the principal of the loan, and the notes to be issued ll be dated from the date of each draw down of principal. As of March 31, 1960, ne of this loan had been drawn down and none of the notes were outstanding.

## INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation began operations in July, 1956, as an international financial institution with an authorized capital of U.S. $100 million. Of that total, $96.5 million had, by March 31, 1960, been subscribed by the governments of 59 countries, including Argentina and Spain whose memberships, with capital subscriptions of $1,662,000 and $1,108,000 respectively, were completed during the year under review.

Following is a summary of the activities of the IFC during the period April 1, 1959 to March 31, 1960.

### Investment Operations

IFC invests in enterprises which are predominantly industrial (manufacturing, processing, mining), either for the expansion or improvement of an existing enterprise, or the creation of a new one.

During the period under review, the Corporation made 14 operational investments totalling $9.5 million in 8 countries (Table I). This compared with 8 investments totalling $7.4 million in the previous year. As of March 31, 1960, IFC had made, altogether, 27 investments totalling $21.4 million in projects located in 13 countries. The investments during 1959-60 were for the manufacture of pulp, food products, cement, fibreboard, textiles, diesel engines, ceramic tiles, fertilizers, building materials, home appliances, and for mining and smelting.

Disbursements on investments in the twelve month period under review exceeded $9.9 million.

An objective of the IFC is to encourage and stimulate investment of private capital in underdeveloped countries. During the period April 1, 1959 to March 31, 1960, IFC commitments provided for private participations on the same or similar terms as the Corporation amounting to approximately $5.7 million; also, $350,000 of one of its commitments was taken over by private investors.

### Earnings

The net earnings of the Corporation in the twelve months period under review amounted to approximately U.S. $2 million.

### 1959 Annual Meeting

At the IFC's Third Annual Meeting in September 1959, the President, Mr. Robert L. Garner, drew attention to the increasing activities of the Corporation, to its investments in new countries, to the diverse types and sizes of its enterprises and to the growing flexibility in its methods of operation. In referring to the development of new projects, he reported that a representative, long familiar with Southeast Asia, had recently been appointed.

He stressed the important role which venture capital and private enterprise can play in the development of the underdeveloped countries and emphasized the contribution of the IFC in this process. He stated his conviction that the substantial growth of private industry taking place in the developing areas, with the aid of experience and capital from the more developed countries, will continue at an increasing pace, to the benefit of both groups of countries.

## Canadian Representation

Canada's representatives on the Board of Governors of the International Bank for Reconstruction and Development during the period under review, served *ex officio* on the Board of Governors of the International Finance Corporation. Similarly, Canada's representatives among the Executive Directors of the Bank served *ex officio* in the same capacity on the Board of Directors of the Corporation.

TABLE I

Summary of Investments Made by IFC; April 1, 1959 to March 31, 1960

| Country | Type of Business | | Amount (U.S. $ equivalent) |
|---|---|---|---|
| Brazil | Pulp Manufacture | | 825,000 |
| Chile | Copper mining and smelting | 900,000 | |
| | Food products manufacture | 1,500,000 | |
| | Cement manufacture | 1,000,000 | |
| | | | 3,400,000 |
| Colombia | Fibreboard manufacture | 500,000 | |
| | Food products manufacture | 1,000,000 | |
| | | | 1,500,000 |
| El Salvador | Knitted textiles manufacture | | 140,000 |
| India | Diesel engines manufacture | | 850,000 |
| Iran | Ceramic tiles manufacture | | 300,000 |
| Peru | Fertilizer manufacture | 1,400,000(1) | |
| | Brick manufacture | 280,000 | |
| | Home appliances manufacture | 250,000 | |
| | Building materials manufacture | 300,000 | |
| | | | 2,230,000 |
| Thailand | Concrete products manufacture | | 300,000 |
| | | | 9,545,000 |

(1) $350,000 of this amount was taken over by private investors.

## INTERNATIONAL MONETARY FUND

Following is a summary of the operations of the International Monetary Fund for the fiscal year April 1, 1959 to March 31, 1960.

### 1959 Annual Meeting.

The Fourteenth Annual Meeting was held in Washington in September, 1959. The Annual Meeting of the Fund is always an important occasion for an exchange of views on world economic and financial questions by Ministers of Finance and leading bankers. The increase in the Fund's resources became effective shortly before the meeting, and economic events during the year had been particularly significant for the Fund.

The main development of basic relevance to the purposes and objectives of the Fund, and recognized as such as the highlight of the previous year, was the general move to external convertibility by the majority of European countries and their related currency areas. Discussions, both in formal sessions and informal conversations, concentrated to a large extent on the inplications, related developments, and policies which should follow this favourable development. It was generally conceded that post-war transitional problems, on the basis of which limitations to multilateralism had been justified, no longer prevailed. Special attention was accordingly directed towards the elimination of remaining discriminatory restrictions and acceptance by countries able to do so of the more permanent objectives of the Fund incorporated in Article VIII.

Shortly after the meeting, the Fund communicated a formal statement to its members and to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in which it declared that there was no longer any balance of payments justification for discrimination by members whose current receipts were largely in externally convertible currencies.

The more general developments in international trade and payments also received attention at the meeting, particularly in the context of their inplications for the less-developed countries.

The Fifteenth Annual Meeting will be convened in Washington, D.C., on September 26th, 1960, under the chairmanship of the Governor for Australia.

### Canadian Representation

The Honourable Donald Methuen Fleming, Minister of Finance, has been the Canadian Governor of the Fund since June 28, 1957. Mr. James Elliott Coyne, Governor of the Bank of Canada, is the Alternate Governor. Mr. Louis Rasminsky is the Executive Director for Canada and Mr. C. L. Read is his Alternate.

### Membership

At March 31, 1960, there were 68 members of the Fund with quotas aggregating U.S. $14,011.6 million.

Applications from Portugal and Laos for membership, with quotas of U.S. $60.0 million and U.S. $7.5 million respectively, were approved by the Board of Governors at the Fourteenth Annual Meeting. Portugal may accept membership before the end of July, 1960 and Laos before the end of June 1960.

On April 17, 1959, Nigeria applied for membership in the Fund and the Bank.

## Enlargement of Resources

The plan for increasing the Fund's quotas by 50 per cent, along with certain special increases, was described in last year's report for 1958-59 and more fully in Section II of the Fund's Annual Report for 1959. The increase became effective in mid-September 1959 when countries having over 75 per cent of total quotas had consented to the increases in their own quotas; the period within which remaining members might accept increases in their quotas was extended to July 31, 1960.

As of March 31, 1960, 53 members (representing over 90 per cent of the Fund's quotas at the date the increases were calculated) had consented to their individual increases, and 43 of them had paid their additional subscriptions, either entirely or to the extent of the first instalments. Accordingly, by March 31, 1960 total quotas in the Fund had increased from approximately $9.2 billion a year earlier to slightly over $14 billion.

The largest special increases were undertaken by Canada ($100 million), Germany ($292.5 million) and Japan ($125 million). Including the general increase of 50 per cent, Canada's quota was thus raised from $300 million to $550 million, involving a payment of U.S. $62.5 million in gold and an amount equivalent to U.S. $187.5 million in non-interest-bearing Government notes.

## Use of Resources

The Fund makes its foreign exchange resources available, under proper safeguards, to its members to meet short-term current payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programmes, often in conjunction with financial assistance from other sources.

Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit, and within a specified period.

Foreign exchange drawings by 40 members since the Fund began operations on March 1, 1947 totalled, as of March 31, 1960, the equivalent of U.S. $3,429.5 million. During the year under review drawings amounted to the equivalent of $155.4 million, of which $103.7 million was in U.S. dollars, $21.75 million in pounds sterling, $14.0 million in Deutschemarks, $12.5 million in French francs, and $3.5 million in Netherlands guilders (Table I). Of the total amount drawn during this period, $63.1 million was

purchased in accordance with arrangements for immediate drawings and $92.3 million was drawn by 8 members in accordance with stand-by arrangements which were in effect during the period (Table II). The amounts undrawn but available under stand-by arrangements at March 31, 1960 totalled $200.13 million.

Purchases beyond 25 per cent of a member's quota in any 12 months require a waiver. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review except those with Bolivia and Chile; waivers were also granted in connection with immediate drawings, except in the case of Iran and Sudan.

The revised schedule of Fund charges on purchases which has been in effect since January 1, 1954 was extended by the Executive Board until April 30, 1960.

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. Repurchases amounting to $496.6 million were made by members between April 1, 1959 and March 31, 1960 (Table III). From the beginning of the Fund's operations to March 31, 1960, repurchases and other transactions having the same effect on members' balances totalled $2,262.4 million.

On March 31, 1960, the Fund's holdings of member currencies (including non-negotiable, non-interest-bearing notes) were equivalent to $10,509.5 million of which $2,237.3 million was in U.S. dollars. The Fund's total holdings of gold and convertible currencies amounted to U.S. $5,849.9 million of which $2,954.0 million was in gold.

Five hundred million dollars of the Fund's gold has been invested in U.S. Government securities, in accordance with an authorization of January 1956, amended on July 24, 1959.

## Exchange Restrictions

The Tenth Annual Report on Exchange Restrictions published in June 1959, surveyed developments in exchange restrictions throughout the world during the previous 12 months, and described the main features of the exchange systems of all Fund members and of 6 other countries, the details of which are not repeated here. The most important single achievement of the postwar period in the field of exchange restrictions, the Report pointed out, took place at the end of 1958, when external convertibility was established for the major European currencies; in early 1959 other countries adjusted their exchange control regulations to the new conditions. In discussing the wide impact of this move to external convertibility, it was emphasized that it had special significance for the general level of remaining restrictions and particularly for the problem of discrimination. A major factor behind the move was the increasing strength, both economic and financial, of most of the industrialized countries which, with the exception of the United States, had added appreciably to their gold and dollar reserves. Most of the less-developed

countries continue to have difficulties, but several are putting into effect comprehensive stabilization programmes which include the simplification of their exchange systems. The Report considered the immediate effects of this concerted move and the impact that might be expected on the restrictions that remain. It also pointed out that considerable further progress had been made in the substitution of unitary exchange rates for multiple currency practices, and that there was a general decline in the number of bilateral payments arrangements between Fund member countries. The forthcoming Eleventh Annual Report on Exchange Restrictions, to be published shortly, will record the important changes in the exchange systems of member countries in the past year, including the significant progress towards the elimination of discrimination.

Most members of the Fund are required to consult annually with the Fund under Article XIV concerning their remaining restrictions. The eighth series of consultations began in March 1959. From April 1, 1959 to March 31, 1960, 42 consultation discussions were concluded and approved by the Executive Board. In connection with 40 of these, Fund missions visited member countries. Discussions with representatives of Japan and the Union of South Africa were held at the Fund's headquarters in Washington. As in the past, these consultations have provided opportunities for discussions not only of the economic and financial problems which have given rise to restrictive and discriminatory practices, but also of the possibilities of further relaxation of restrictions. The Fund is continuing its endeavor to help in the elimination of restrictions, and much of its effort has been employed in advice and assistance to members that are trying to advance toward this objective.

## Par Values

During the year the Fund concurred in the establishment of initial par values for Italy, Libya, Morocco, Saudi Arabia and Spain, and of new par values for France and Iceland.

| Member | Currency | Currency Units per U.S. Dollar | Established |
|---|---|---|---|
| Iceland | Krona | 38.0000 | February 20, 1960 |
| Italy | Lira | 625.000 | March 31, 1960 |
| France | New Franc | 4.93706 | January 1, 1960 |
| Libya | Pound | .357143 | August 12, 1959 |
| Morocco | Dirham | 5.06049 | October 16, 1959 |
| Saudi Arabia | Riyal | 4.50000 | January 8, 1960 |
| Spain | Peseta | 60.0000 | July 17, 1959 |

On December 5, 1959, the Chilean Government informed the Fund that effective January 1, 1960 a new monetary unit, "escudo", was to be established for the Chilean currency, at a ratio to the peso of 1 to 1,000.

The French Government established a new monetary unit called the "new franc" with a ratio to the former franc of 1 to 100. The

new franc is legal tender in the same area as the franc. The change took effect on January 1, 1960 except in French Guiana and the French Antilles where a brief delay was expected.

On February 20, 1960, the Fund concurred in a proposal by the Government of Iceland for a change in the par value of the Icelandic Krona from IKr 16.2857 to IKr 38.00 per U.S. $1.

Initial par values have now been agreed between the Fund and all but ten of its members - Afghanistan, China, Greece, Indonesia, Korea, Malaya, Thailand, Tunisia, Uruguay and Viet-Nam.

## Gold Transaction Service

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended by including three international organizations and several non-member countries among those who are permitted to use it.

Since March 1952, the central banks of 25 member countries and three international organizations have effected purchases and sales of gold through the facilities provided by this service.

During the period under review 11 transactions were completed by the Fund aounting to a total of about $74.5 million. Since the inception of the Fund's gold transaction service was authorized in March 1952, transactions equivalent to $805.5 million have been completed.

## Gold Subsidies

In the period under review, Australia consulted the Fund with regard to modifications of its gold subsidy programme and its extension for a period of three years from June 30, 1959. The rates of assistance to gold producers were also increased, the maximum rate for large producers rising by 10s. per ounce, to £A3.5s 0d., and the flat subsidy rate for small producers (those whose production does not exceed 500 ounces per annum) by 8s. per ounce, to £A2.8s 0d. The Fund deemed the modified system and its extension to be consistent with the objectives of the Fund's statement of December 11, 1947 on gold subsidies.

## Cooperation with Members - Technical Assistance

In addition to contacts maintained through the annual consultations under Article XIV, the Fund has continued to give advice and assistance in specific technical fields as requested by member

governments. Subjects on which the Fund has assisted members in this way include general monetary stabilization programmes, the drafting of banking legislation, exchange rate and exchange control policies and practices, the fiscal system in its relation to exchange policy, and the compilation of financial statistics.

Between April 1, 1959 and March 31, 1960, members of the staff visited 60 countries for purposes of consultation, technical assistance, and the informal exchange of views and information. Periods of assignment have varied between a few weeks and more than a year. Staff members were made available to ten countries on long-term assignments, including one on a special assignment to the United Nations Technical Assistance Administration.

The frequent visits made to member countries by the Managing Director and the Deputy Managing Director have provided valuable opportunities for close and continuous exchange of views. Members of the Executive Board play an essential role in keeping the Fund informed of current trends in the countries they represent, and visits to Washington by officials from member countries, which are frequently made when some special matter, such as the negotiation of a stand-by arrangement is under consideration, also help to ensure that the Fund functions as a genuinely cooperative international organization.

## Training Programme

The Fund's training programme offers specialized instruction and practical work in the main area of the Fund's competence to officials from central banks and government departments in member countries. The most recent programme, begun in September 1959, has 18 twelve-month and eight six-month participants from the following countries: Afghanistan, Argentina, Brazil, Burma, Ceylon, China, Colombia, Cuba, Ecuador, France, Germany, Greece, Guatemala, Indonesia, Israel, Jordan, Libya, Malaya, Paraguay, Saudi Arabia, Spain, Sudan, Syria, Tunisia, Turkey and the Union of South Africa. Participants since the inception of the programme number 191 from 62 member countries.

## Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has maintained particularly close contacts with the United Nations and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT). Fund missions attended meetings of the CONTRACTING PARTIES in Geneva and Tokyo during the period under review, and the CONTRACTING PARTIES were represented at the Annual Meeting of the Board of Governors of the Fund. The CONTRACTING PARTIES consulted with the Fund in connection with the GATT consultations with individual governments on their import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions were concerned. The Fund transmits to the CONTRACTING PARTIES the results of its own Article XIV consultations with the various governments consulting under the balance of payments provisions

of the General Agreement on Tariffs and Trade, together with background material relating to such countries, and the Fund missions cooperate with the GATT committee conducting the consultations.

Close liaison has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with their staffs, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. The United Nations was represented at the Fund's Governors' Conference and Fund representatives have attended meetings of the General Assembly of the United Nations. They have also participated in meetings of the Economic Commissions for Africa, for Asia and the Far East, for Europe, and for Latin America; the Economic and Social Council, its Commissions and Committees; the Technical Assistance Board, and the Administrative Committee on coordination and its subsidiary bodies. The Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 27th Session of the U.N. Economic and Social Council in April 1959. The usual close working relationships between the Fund on the one hand and the Organization for European Economic Cooperation (OEEC) and the Bank for International Settlements (BIS) on the other, continued.

The Fund was also represented at the initial meeting of the Board of Governors of the Inter-American Development Bank held in El Salvador in February 1960. In addition, the Fund was represented at various meetings connected with the negotiations leading to the establishment of a Latin American free trade area, including a meeting held in Montevideo, Uruguay, in February 1960 at which the Fund's views on the payments aspects of the matter were presented.

Publications

In addition to the Fourteenth Annual Report of the Executive Directors and the Tenth Annual Report on Exchange Restrictions, the following publications were issued:

Summary Proceedings of the Fourteenth Annual Meeting

International Financial Statistics

International Financial News Survey

Balance of Payments Yearbook, Volume 11

Staff Papers, Volume VII No. 2

Schedule of Par Values, 28th and 29th Issues

By-Laws Rules and Regulations, 18th and 19th Issues

Direction of International Trade (in conjunction with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations)

TABLE I

## Drawings on the Fund by Currency

April 1, 1959 - March 31, 1960

| | Pounds Sterling | Deutsche Marks | Netherlands Guilders | French Francs | U.S. Dollars | Total |
|---|---|---|---|---|---|---|
| Argentina | £2,857,142-17-2 ($8,000,000) | DM 58,800,000 ($14,000,000) | f. 13,300,000 ($3,500,000) | | $ 45,500,000 | $ 71,000,000 |
| Bolivia | | | | | 3,375,000 | 3,375,000 |
| Chile | | | | | 700,000 | 700,000 |
| Dominican Republic | | | | | 7,000,000 | 7,000,000 |
| El Salvador | | | | | 7,500,000 | 7,500,000 |
| Haiti | | | | | 1,771,500 | 1,771,500 |
| Honduras | | | | | 2,500,000 | 2,500,000 |
| Iceland | | | | | 2,812,500 | 2,812,500 |
| Iran | | | | | 5,000,000 | 5,000,000 |
| Peru | | | | | 2,500,000 | 2,500,000 |
| Spain | 4,464,285-14-3 ($12,000,000) | | | F 6,171,321,429 ($12,500,000) | 25,000,000 | 50,000,000 |
| Sudan | 446,428-11-5 ($1,250,000) | | | | | 1,250,000 |
| | £7,767,857-2-10 ($21,750,000) | DM 58,800,000 ($14,000,000) | f. 13,300,000 ($3,500,000) | F 6,171,321,429 ($12,500,000) | $103,659,000 | $155,409,000 |

TABLE III

REPURCHASES

April 1, 1959 - March 31, 1960

| Member | Dollar equivalent of gold payment | Paid in dollars | Total |
|---|---|---|---|
| ustralia | 14,081,000.00 | | 14,081,000.00 |
| olivia | | 1,500,000.00 | 1,500,000.00 |
| razil | 9,920,075.59 | 10,329,924.41 | 20,250,000.00 |
| urma | | 4,000,000.00 | 4,000,000.00 |
| hile | | 700,000.00 | 700,000.00 |
| olombia | 116,511.46 | 26,883,488.54 | 27,000,000.00 |
| l Salvador | | 4,500,000.00 | 4,500,000.00 |
| rance | 118,000,000.00 | 82,000,000.00 | 200,000,000.00 |
| onduras | | 3,744,902.75 | 3,744,902.75 |
| ndia | | 50,000,000.00 | 50,000,000.00 |
| ndonesia | | 9,000,000.00 | 9,000,000.00 |
| ran | 4,391,383.89 | 12,481,285.33 | 16,872,669.22 |
| exico | | 22,498,727.53 | 22,498,727.53 |
| araguay | | 1,750,000.00 | 1,750,000.00 |
| eru | 1,258,430.63 | 13,240,237.12 | 14,498,667.75 |
| hilippines | | 15,417,000.00 | 15,417,000.00 |
| urkey | | 3,000,000.00 | 3,000,000.00 |
| nion of S. Africa | | 36,179,825.58 | 36,179,825.58 |
| nited Arab Republic: Egypt | | 9,578,711.92 | 9,578,711.92 |
| nited Kingdom | | 42,000,000.00 | 42,000,000.00 |
| | 147,767,401.57 | 348,804,103.18 | 496,571,504.75 |

In addition Japan's repurchase in a previous period was adjusted by a eduction of $4,293.82.

TABLE II

Stand-by Arrangements with the Fund

(In millions of U.S. dollars)

| Member | Date of Arrangement | Date of Expiration | Amount of Arrange-ment | Amount purchased 4/1/59-3/31/60 | Total amount purchased under stand-by | Avail-able March 31, 1960 |
|---|---|---|---|---|---|---|
| rgentina | Dec. 19, 1958 | Dec. 18, 1959 A/ | $ 75.00 | $27.00 | $42.50 | $ - |
| | Dec. 3, 1959 | Dec. 2, 1960 | 100.00 | 44.00 | 44.00 | 56.00 |
| olivia | May 18, 1959 | May 17, 1960 | 1.50 | 0.25 | 0.25 | 1.25 |
| razil | June 3, 1958 | June 2, 1959 | 37.50 | - | 54.75 | - |
| hile | April 1, 1959 | Dec. 31, 1959 | 8.10 | 0.70 | 0.70 | - |
| olombia | June 19, 1958 | June 18, 1959 | 15.00 | - | - | - |
| | Oct. 22, 1959 | Oct. 21, 1960 | 41.25 | - | - | 41.25 |
| ominican Republic | Dec. 22, 1959 | Dec. 21, 1960 | 11.25 | 7.00 | 7.00 | 4.25 |
| l Salvador | Oct. 1, 1959 | March 31,1960 | 7.50 | 7.50 | 7.50 | - |
| aiti | July 14, 1958 | July 13, 1959 | 5.00 | 0.42 | 3.09 | - |
| | July 14, 1959 | Sept.30, 1959 | 5.00 | 0.42 | 0.42 | - |
| | Oct. 1, 1959 | Sept.30, 1960 | 4.00 | - | - | 4.00 |
| onduras | Jan. 29, 1959 | Jan. 28, 1960 | 4.50 | 2.50 | 3.75 | - |
| | March 7, 1960 | March 6, 1961 | 7.50 | - | - | 7.50 |
| celand | Feb. 23, 1960 | Feb. 22, 1961 | 5.63 | - | - | 5.63 |
| exico | March 5, 1959 | Sept. 4, 1959 | 90.00 | - | 22.50 | - |
| orocco | Nov. 15, 1959 | Nov. 14, 1960 | 25.00 | - | - | 25.00 |
| akistan | Dec. 8, 1958 | Dec. 7, 1959 B/ | 25.00 | - | - | - |
| araguay | July 30, 1958 | July 29, 1959 | 1.50 | - | 0.25 | - |
| | Aug. 13, 1959 | Aug. 12, 1960 | 2.75 | - | - | 2.75 |
| eru | March 1, 1959 | Feb. 29, 1960 | 13.00 | 2.50 | 2.50 | - |
| | March 1, 1960 | Feb. 28, 1961 | 27.50 | - | - | 27.50 |
| pain | Aug. 17, 1959 | Aug. 16, 1960 | 25.00 | - | - | 25.00 |
| nion of S. Africa | April 8, 1958 | April 7, 1959 | 25.00 | - | 11.20 | - |
| nited Kingdom | Dec. 22, 1958 | Dec. 21, 1959 | 738.53 | - | - | - |
| | | | | $92.29 | | $200.13 |

/ Cancelled as of Dec. 2, 1959.
/ Pakistan stand-by cancelled Sept. 22, 1959.

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CANADA. FINANCE, DEPT OF

REPORT ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENTS ACT

(AND

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT)

DURING THE

FISCAL YEAR 1960-61

To His Excellency,

Major-General Georges P. Vanier, D.S.O., M.C., C.D.,

Governor-General of Canada.

May it please Your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreements Act and International Development Association Act during the fiscal year 1960-61.

All of which is respectfully submitted.

Donald M. Fleming,

Minister of Finance.

Ottawa,

## Introductory Note

The present report contains a summary of the operations of the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation during the period April 1, 1960 through March 31, 1961. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions is contained in the report on operations during the fiscal year 1958-59.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Monetary Fund and the International Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

A report on the International Development Association, also organized as an affiliate of the International Bank, is included for the first time. The Agreement by which the International Development Association was established came into force in September, 1960. Canadian participation in the Association was authorized by the International Development Association Act, 1960.

The four organizations are closely linked in membership and general fields of endeavour. Membership in the International Monetary Fund is a prerequisite for membership in the International Bank for Reconstruction and Development, and membership in the International Bank is a prerequisite for membership in the International Finance Corporation and the International Development Association. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C.

## INTERNATIONAL MONETARY FUND

Following is a summary of the operations of the International Monetary Fund for the fiscal year April 1, 1960 to March 31, 1961.

### 1960 Annual Meeting

The Board of Governors under the Chairmanship of the Right Honorable Harold Holt, Governor for Australia, held their Fifteenth Annual Meeting in Washington in September 1960. The Board heard and discussed the Managing Director's presentation of the Annual Report, reviewed the policies and activities of the Fund and exchanged views on international developments and prospects. Particular attention was given to the problem of imbalance in international payments, evidenced on the one hand by the persisting deficit in the United States balance of payments, and on the other by the continuing accumulation of reserves by some Western European countries. The Managing Director reported on the important policy decisions taken by the Executive Board during the year on the subjects of discrimination and the transition from Article XIV to Article VIII. The principles or lines of guidance laid down in these two policy statements (reproduced in the 1960 Annual Report) now form part of the code of good monetary and economic behaviour to be adhered to by members of the Fund.

Recommendations of the Fund-Bank Procedures Committee regarding the admission of new members, changes in the Rules and Regulations and other Fund business were adopted, and the Eighth Regular Election of Executive Directors was held.

At its closing session of the Annual Meeting the Governor for Thailand was elected Chairman for the ensuing year and the Governor for India was elected Vice-Chairman. The Sixteenth Annual Meeting will be convened in Vienna, Austria, on September 18, 1961.

### Canadian Representation

The Honorable Donald Methuen Fleming, Minister of Finance, has been the Canadian Governor of the Fund since June 28, 1957. Mr. James Elliott Coyne, Governor of the Bank of Canada, is the Alternate Governor. Mr. Louis Rasminsky is the Executive Director for Canada and Mr. C. L. Read is his Alternate.

### Membership

Portugal with a quota of $60 million and Nigeria with a quota of $50 million became members of the Fund on March 29, 1961 and March 30, 1961 respectively. At March 31, 1961, there were 70 members of the Fund with quotas aggregating U.S. $14,850.7 million.

Membership in the Fund for Laos was approved on September 29, 1959 at the Fourteenth Annual Meeting and for Nepal on September 28, 1960 at the Fifteenth Annual Meeting by the Board of Governors. The necessary membership procedures, however, have not been completed and the periods of acceptance have been extended to June 30, 1961 and September 30, 1961 respectively.

Applications for membership have been received from the Republics of Congo, Cyprus, Liberia, Senegal, Sierra Leone and Togo.

Moves to Article VIII

At the Annual Meeting of the Board of Governors of the Fund in 1959, the conditions under which Fund members would give up the transitional arrangement of Article XIV of the Fund's Articles of Agreement and assume the obligations of Article VIII Sections 2, 3 and 4, were discussed. The Executive Board decision on this subject in June 1960 was followed by staff discussions with members which might be ready to assume those obligations and the Managing Director announced at the Annual Meeting in September 1960 that the preparatory technical work for a transition to formal Article VIII status had already been completed for a number of countries. At that meeting several Governors indicated that the improved monetary position and the general move to external convertibility had prepared the way for the formal acceptance by their countries of the obligations of Article VIII.

On February 15, 1961, Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Peru, Sweden, the United Kingdom, and, on March 22, 1961, Saudi Arabia formally accepted Article VIII status. In doing so they joined the earlier Article VIII group, consisting of ten countries, including Canada, all in the Western Hemisphere. As a result, pratically all currencies used to finance international trade and payments are now convertible under Article VIII. In this way an important step has been taken toward the realization of the multilateral system of payments envisaged in the Fund Agreement, and the move gives added assurance that the convertibility of the major trading currencies will continue unimpaired and that the balanced growth of world trade will not be hampered by any unwarranted use of exchange restrictions.

Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term current payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programmes, often in conjunction with financial assistance from other sources.

Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit, and within a specified period.

Foreign exchange drawings by 42 members since the Fund began operations on March 1, 1947 totalled, as of March 31, 1961, the equivalent of U.S. $3,831 million. During the year under review drawings amounted to the equivalent of $401.5 million, of which $173.7 million was in U.S. dollars, $85.3 million in pounds sterling, $76.8 million in Deutschemarks, $19 million in Netherlands guilders, $15 million in French francs, $15 million in Italian lire, $.8 million in Danish kroner, and $16 million in Argentine pesos (Table I). Of the total amount drawn during this period $171.3 million was purchased in accordance with arrangements for immediate drawings and $230.2 million was drawn by 13 members in accordance with stand-by arrangements which were in effect during the period (Table II). The amounts undrawn but available under stand-by arrangements at March 31, 1961 totalled $438.6 million.

Purchases beyond 25 per cent of a member's quota in any twelve months require a waiver. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review; waivers were also granted in connection with immediate drawings by Iran, U.A.R. Egyptian region, U.A.R. Syrian region and Yugoslavia.

The revised schedule of Fund charges on purchases which has been in effect since January 1, 1954 was extended by the Executive Board until April 30, 1961.

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. Repurchases amounting to $661 million were made by members between April 1, 1960 and March 31, 1961 (Table III). From the beginning of the Fund's operations to March 31, 1961 repurchases and other transactions having the same effect on members' balance totalled $2,814.6 million.

On March 31, 1961 the Fund's holdings of member currencies (including non-negotiable, non-interest-bearing notes) were equivalent to $10,956.2 million of which $2,594.8 million was in U.S. dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement were substantially increased by the moves to Article VIII described in the preceding section and at March 31, 1961 amounted to the equivalent of U.S. $9,152.5 million of which $2,475.5 million was in gold. On that date the largest holding of convertible currencies other than U.S. dollars was holdings of pound sterling equivalent to U.S. $1,449 million.

Exchange Restrictions

The Eleventh Annual Report on Exchange Restrictions, published in June 1960, surveyed developments in exchange restrictions throughout the world during the period ending April 1960, and described the main features of the exchange systems of all Fund members and of six other countries, the details of which are not repeated here. The Report pointed out that the experience gained during a further 12 months of external convertibility made possible a more thorough appraisal of its achievements. External convertibility had worked well without any setbacks and the currencies of about half of the Fund's members were now convertible for virtually all nonresidents. In a number of countries restrictions remaining on current payments had dwindled to the point of insignificance. Moreover, countries continuing to apply restrictions -- profiting from the convertibility of the currencies of other countries -- had simplified their own regimes. Discriminatory restrictions initially based on the distinction between convertible and inconvertible exchange settlements had generally lost their economic justification. The reduction in dollar discrimination and, in a more general fashion, the reduction of discriminatory treatment for balance of payments reasons had been carried much further by many countries after the introduction of external convertibility. The Report also pointed out that considerable progress had again been made in eliminating and reducing the use of multiple currency practices, that the general decline in the number of bilateral payments arrangements had continued, and that there was a marked decline in reliance on advance deposits for imports. The forthcoming

Twelfth Annual Report on Exchange Restrictions, to be published shortly, will record the important changes in the exchange systems of member countries in the past year.

Members of the Fund which continue to maintain exchange restrictions under Article XIV of the Fund Agreement are required annually to consult the Fund concerning such restrictions. The ninth series of consultations began in March 1960. In the period April 1, 1960 to March 31, 1961, consultations were completed with 39 member countries. In connection with all of these consultations, Fund missions visited the member countries. As in the past, these consultations have provided opportunities for discussion of the economic and financial problems which have given rise to restrictive and discriminatory practices, and of the possibilities of further relaxation of restrictions. The Fund is continuing its endeavors to help in the elimination of restrictions, and much of its effort has been employed in advice and assistance to members that are trying to advance toward this objective.

Par Values

During the year the Fund concurred in a proposal by the Government of Turkey for a change in the par value of the Turkish lira from 2.8 to 9.0 Turkish liras per U.S. dollar, effective August 20, 1960. The Fund also noted a change by the Government of the Federal Republic of Germany in the par value of the Deutschemark, from DM 4.20 to DM 4.00 per U.S. dollar, effective March 6, 1961. The Fund concurred in a proposal by the Government of the Netherlands for a change in the par value of the guilder from f. 3.80 to f. 3.62, effective March 7, 1961.

An initial par value for the Uruguayan peso at 7.4 pesos per U.S. dollar was established on October 7, 1960 by agreement between the Fund and the Government of Uruguay. The Government of Greece by agreement with the Fund established an initial par value for the Greek drachma at 30 drachmas per U.S. dollar on March 29, 1961.

Initial par values have now been agreed between the Fund and all but ten of its members -- Afghanistan, China, Indonesia, Korea, Malaya, Nigeria, Portugal, Thailand, Tunisia and Viet-Nam.

Gold Transaction Service

The Fund, since March 1952 has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund paid the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended by including five international organizations and several non-member countries among those who are permitted to use it.

Since March 1952, the central banks of 25 member countries and five international organizations have effected purchases and sales of gold through the facilities provided by this service.

During the period under review eight transactions were completed by the Fund amounting to a total of about \$250.4 million. Since the inception of the Fund's gold transaction service was authorized in March 1952, transactions equivalent to \$1,056 million have been completed.

## Gold Subsidies

In the period under review, Canada consulted the Fund with regard to the amendment of its Emergency Gold Mining Assistance Act to extend its application to the years 1961, 1962 and 1963, and to provide for certain changes in the administration of the Act. The Fund deemed the Act as amended to be consistent with the objectives of the Fund's statement of December 11, 1947, on gold subsidies.

## Cooperation with Members - Technical Assistance

In addition to exchanging views in the course of the annual consultations under Article XIV, the Fund has continued to give advice and assistance in specific technical fields as requested by member governments, and in one case to a country in the course of applying for membership. Subjects on which the Fund has cooperated with its members in this way include general monetary stabilization programs, the drafting of banking legislation, exchange rate and exchange control policies and practices, the fiscal system in its relation to exchange policy, and the compilation of financial statistics.

Between April 1, 1960 and March 31, 1961, members of the staff visited 63 countries for purposes of consultation, technical assistance and the informal exchange of views and information. Periods of assignment have ranged from a few weeks to more than a year. Staff members were made available on long-term assignments during the period under review to 10 countries, and in one case to the United Nations Technical Assistance Administration.

The frequent visits made to member countries by the Managing Director and the Deputy Managing Director have provided valuable opportunities for close and continuous exchange of views. Members of the Executive Board play an essential role in keeping the Fund informed of current trends in the countries they represent, and visits to Washington by officials from member countries, which are frequently made when some special matter, such as the negotiation of a stand-by arrangement is under consideration, also help to ensure that the Fund functions as a genuinely cooperative international organization.

## Training Program

In the annual training program which terminated in September 1960, there were 26 participants, including nine on shorter term appointments of six to nine months. In the program which began in September 1960, there are 18 participants undertaking the full program and five six-month participants. The program offers specialized instruction and practical work in the main areas of the Fund's competence to officials from central banks and government departments in member countries. Participants since the inception of the program number 214 from 62 member countries.

Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has continued to maintain particularly close contacts with the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for European Economic Cooperation (OEEC), and the Bank for International Settlements.

Fund missions have again attended sessions of the CONTRACTING PARTIES in Geneva during the period under review, and the CONTRACTING PARTIES were represented at the Annual Meeting of the Board of Governors of the Fund. The CONTRACTING PARTIES consulted with the Fund in connection with their regular consultations with individual governments on import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions were involved. The Fund transmits to the CONTRACTING PARTIES the results of its own Article XIV consultations with the various governments consulting under the balance of payments provisions of the GATT, together with the background material relating to such countries, and Fund missions cooperate with the GATT committee conducting the consultations.

The Fund was also represented at meetings of the GATT Council of Representatives which was set up in 1960. During their autumn session, the CONTRACTING PARTIES reviewed their procedures for dealing with any new or increased use of balance of payments import restrictions and agreed that, with the establishment of the Council and continuing close cooperation with the Fund, the required GATT consultation on any new restrictions or substantial intensification of restrictions could be instituted without delay.

Close liaison has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with their staffs, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. The United Nations was represented at the Fund's Governors' Conference and Fund representatives have attended meetings of the General Assembly of the United Nations. They have also participated in meetings of the Economic Commission for Asia and the Far East, for Africa, for Europe, and for Latin America; the Economic and Social Council, its Commissions and Committees; the Technical Assistance Board, and the Administrative Committee on Coordination and its subsidiary bodies and the Commission on International Commodity Trade. The Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 29th Session of the U.N. Economic and Social Council in April 1960.

Fund staff members, also attended the opening ceremonies of the 6th Ministerial Council of the South East Asia Treaty Organization and participated in the Sixth Meeting of Central Bank Technicians of the American Continent held in Guatemala.

Publications

In addition to the Fifteenth Annual Report of the Executive Directors and the Eleventh Annual Report on Exchange Restrictions, the following publications were issued:

Summary Proceedings of the Fifteenth Annual Meeting
International Financial Statistics (Monthly)
International Financial News Survey (Weekly)
Schedule of Par Values, 30th Issue
Staff Papers, Vol. VII, No. 3 and Vol. VIII, No. 1
Balance of Payments Yearbook, Volume 12
By-Laws, Rules and Regulations, 20th Issue
Direction of International Trade (in conjunction with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations) (Monthly)

TABLE I

Drawings on the Fund by Currency

April 1, 1960 - March 31, 1961

(U.S. dollar equivalent)

| | Total | US $ | £ Sterling | Deutsche Marks | Nether. Guilders | French francs | Italian Lire | Danish Kroner | Argentine Pesos |
|---|---|---|---|---|---|---|---|---|---|
| Argentina | 56,000,000 | 31,500,000 | - | 10,500,000 | 14,000,000 | - | - | - | - |
| Bolivia | 1,000,000 | 1,000,000 | - | - | - | - | - | - | - |
| Brazil | 47,700,000 | 24,700,000 | 9,000,000 | 9,000,000 | - | 5,000,000 | - | - | - |
| Chile | 41,000,000 | - | - | 15,000,000 | - | 5,000,000 | 5,000,000 | - | 16,000,000 |
| Colombia | 25,000,000 | 25,000,000 | - | - | - | - | - | - | - |
| Dominican Rep. | 2,000,000 | 2,000,000 | - | - | - | - | - | - | - |
| El Salvador | 11,250,000 | 11,250,000 | - | - | - | - | - | - | - |
| Honduras | 5,000,000 | 5,000,000 | - | - | - | - | - | - | - |
| Iceland | 4,000,000 | 500,000 | 200,000 | 2,500,000 | - | - | - | 800,000 | - |
| Iran | 45,000,000 | 15,000,000 | 25,000,000 | 5,000,000 | - | - | - | - | - |
| Nicaragua | 1,500,000 | 1,500,000 | - | - | - | - | - | - | - |
| Pakistan | 12,500,000 | 12,500,000 | - | - | - | - | - | - | - |
| Paraguay | 1,000,000 | 1,000,000 | - | - | - | - | - | - | - |
| Philippine Rep. | 6,250,000 | 6,250,000 | - | - | - | - | - | - | - |
| United Arab Rep.: | | | | | | | | | |
| Egyptian Region | 34,800,000 | 7,500,000 | 27,300,000 | - | - | - | - | - | - |
| Syrian Region | 15,000,000 | 15,000,000 | - | - | - | - | - | - | - |
| Union of S. Africa | 37,500,000 | - | 18,750,000 | 18,750,000 | - | - | - | - | - |
| Yugoslavia | 55,000,000 | 14,000,000 | 5,000,000 | 16,000,000 | 5,000,000 | 5,000,000 | 10,000,000 | - | - |
| | 401,500,000 | 173,700,000 | 85,250,000 | 76,750,000 | 19,000,000 | 15,000,000 | 15,000,000 | 800,000 | 16,000,000 |

## TABLE II

### Stand-by Arrangements in Force April 1, 1960 - March 31, 1961
(Amounts in millions of U.S. dollars)

| ber | Date of arrangement | Date of expiration | Amount of arrangement | Amount purchased during Period | Total amount purchased under stand-by | Available March 31 1961 |
|---|---|---|---|---|---|---|
| ntina | Dec. 3, 1959 | Dec. 2, 1960 | $100.00 | $56.00 | $100.00 | $ - |
| | Dec.12, 1960 | Dec.11, 1961 | 100.00 | - | - | 100.00 |
| via | May 18, 1959 | Sept.30,1960 | 1.50 | 1.00 | 1.25 | - |
| e | Feb.16, 1961 | Feb. 15,1962 | 75.00 | 25.00 | 25.00 | 50.00 |
| mbia | Oct.22, 1959 | Oct. 21,1960 | 41.25 | - | - | - |
| | Nov. 1, 1960 | Oct. 31,1961 | 75.00 | 25.00 | 25.00 | 50.00 |
| Rep. | Dec.22, 1959 | Dec. 21,1960 | 11.25 | 2.00 | 9.00 | - |
| lvador | Oct. 1, 1960 | March 31,1961 | 11.25 | 11.25 | 11.25 | - |
| mala | June 6, 1960 | June 5, 1961 | 15.00 | - | - | 15.00 |
| | Oct. 1, 1959 | Sept.30,1960 | 4.00 | - | - | - |
| | Oct. 1, 1960 | Sept.30,1961 | 6.00 | - | - | 6.00 |
| ras | Mar. 7, 1960 | Mar. 6, 1961 | 7.50 | 5.00 | 5.00 | - |
| nd | Feb.23, 1960 | Feb. 22,1961* | 5.63 | 4.00 | 4.00 | - |
| | Feb.16, 1961 | Dec. 31,1961 | 1.63 | - | - | 1.63 |
| | Oct.10, 1960 | Oct. 9, 1961 | 35.00 | 15.00 | 15.00 | 20.00 |
| co | Nov.15, 1959 | Nov.14, 1960 | 25.00 | - | - | - |
| agua | Nov. 3, 1960 | Nov. 2, 1961 | 7.50 | 1.50 | 1.50 | 6.00 |
| uay | Aug.13, 1959 | Aug.12, 1960 | 2.75 | - | - | - |
| | Oct.10, 1960 | Oct. 9, 1961 | 3.50 | 1.00 | 1.00 | 2.50 |
| | Mar. 1, 1960 | Feb.28, 1961 | 27.50 | - | - | - |
| | Mar. 1, 1961 | Feb.28, 1962 | 30.00 | - | - | 30.00 |
| | Aug.17, 1959 | Aug.16, 1960 | 25.00 | - | - | - |
| | Aug.17, 1960 | Aug.16, 1961** | 25.00 | - | - | - |
| | May 2, 1960 | Nov. 1, 1960 | 7.50 | 7.50 | 7.50 | - |
| y | Jan. 1, 1961 | Dec.31, 1961 | 37.50 | - | - | 37.50 |
| uela | Apr. 7, 1960 | Apr. 6, 1961 | 100.00 | - | - | 100.00 |
| lavia | Jan. 1, 1961 | Dec.31, 1961 | 30.00 | 10.00 | 10.00 | 20.00 |
| | | | | | | $438.63 |

ncelled as of close of business January 13, 1961.
ncelled as of close of business March 20, 1961.

TABLE III

Repurchases - April 1, 1960 - March 31, 1961
(in U.S. dollar equivalent)

| | In U.S. Dollars | In Canadian Dollars | In Pounds Sterling | In Gold | Total |
|---|---|---|---|---|---|
| ntina | 21,500,000 | | | | 21,500,000 |
| via | 2,041,667 | | | | 2,041,667 |
| a | 4,000,000 | | 4,000,000 | | 8,000,000 |
| e | 18,472,025 | | | 159,596 | 18,631,621 |
| mbia | 462,498 | | | 2,522,090 | 2,984,587 |
| lvador | 2,434,216 | | | 565,264 | 2,999,480 |
| ce | 71,760,921 | | | 109,324,021 | 181,084,942 |
| i | 1,312,500 | | | | 1,312,500 |
| uras | 1,250,000 | | | | 1,250,000 |
| | 22,500,000 | | | | 22,500,000 |
| esia | 32,000,000 | | | | 32,000,000 |
| guay | 1,000,000 | | | | 1,000,000 |
| ppine Rep. | 2,917,000 | | | | 2,917,000 |
| | 22,315,859 | 375,749 | | 6,356,425 | 29,048,033 |
| | 417,000 | | | | 417,000 |
| y | 3,000,000 | | | | 3,000,000 |
| d Arab .: | | | | | |
| pt Reg. | 10,210,644 | | | | 10,210,644 |
| d King. | 312,584,536 | | | | 312,584,536 |
| lavia | 7,500,000 | | | | 7,500,000 |
| | 537,678,866 | 375,749 | 4,000,000 | 118,927,396 | 660,982,010 |

dition, Japan and Union of South Africa substituted gold equivalent to $15,183,392
4,238,305, for U.S. dollars, respectively.

## THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Following is a summary of the main activities, including the lending and borrowing operations, of the bank during the fiscal year April 1, 1960 to March 31, 1961.

### Lending Operations

During the period April 1, 1960 through March 31, 1961, the Bank made 27 loans in 19 member countries (or their territories with the members' guarantee) totalling U.S.$484.6 million equivalent, details of which are shown in Table I. Private investors continued to acquire portions of the Bank's loans. Private banks and other investors in the United States, United Kingdom, Netherlands, Belgium, Japan and Canada participated in 22 of these loans at the time they were made, in all cases without the Bank's guarantee. Bank loans in 1958-59 totalled the equivalent of U.S.$745.7 million and in 1959-60, U.S.$743.4 million. As of March 31, 1961 the gross total of all Bank loans amounted to U.S.$5,561.3 million equivalent, of which $4,200.3 million had been disbursed.

### Lending Resources

The Bank has two main sources of funds for lending purposes, first, through capital subscriptions of its members and second, through the sale of Bank bonds in the principal financial markets of the world. After taking into account the general doubling of subscriptions described in last year's report, the first source is limited to the equivalent of 1% of each subscription, payable in gold or U.S. dollars and freely used in any Bank operations, and 9% of each subscription payable in the currency of the subscribing member and used for loans only with the member's consent; the remaining 90% of each subscription is subject to call only when required to meet obligations of the Bank, constituting guarantees of member governments against which the Bank is able to issue its own bonds.

#### a. Capital Subscriptions

Pursuant to the increase in the authorized capital of the Bank from $10 billion to $21 billion on September 15, 1959, described in last year's report, 61 members had doubled their subscriptions and 28 members had subscribed $1,366.9 million in addition to their 100% increase by March 31, 1961. This, together with subscriptions of new members, brought total subscribed capital to $20,062,900,000 by March 31, 1961. Canada's special increase of $100 million which raises its total subscription to $750 million, was completed in the course of the year with the payment of 1% in U.S. dollars and 9% in Canadian currency. Payment of the 9% portion took into account the new arrangement for revaluation adjustments under which this payment and the Bank's prior holdings of Canadian dollars would be calculated in terms of U.S. dollars on the basis of the current exchange rate, substantially in the same way as has been the practice in the Fund.

The Bank has been able to use or allocate for lending the equivalent of approximately US$1,642 million as of March 31, 1961 from subscribed capital paid in gold or dollars and from releases by Canada and others of portions of their subscriptions paid in national currencies.

b. Bond and Note Issues

The Bank borrowed or arranged to borrow the equivalent of U.S.$803.0 million between April 1, 1960 and March 31, 1961, of which the equivalent of U.S.$307.2 million represents new funds and the remainder represents refinancing of maturing issues or the extension of outstanding issues. Details are set out in Table II.

Transactions with the Deutsche Bundesbank amounting to the equivalent of U.S.$658 million accounted for the bulk of the Bank's borrowings over the period. Of the total the equivalent of U.S.$245 million represented new funds available until November 1, 1961 (U.S.$120 million in dollars and DM 500 million). In addition the Deutsche Bundesbank agreed to refinance, mainly prior to maturity, the equivalent of U.S.$413 million in dollars and Deutsche Mark notes, the effect of which was to extend the average maturity from one to almost five years.

Outstanding Funded Debt of the Bank on March 31, 1961, equalled the equivalent of approximately U.S.$2,182 million, an increase of about U.S.$115.5 million since March 31, 1960. Of the outstanding debt about U.S.$1,702 million was denominated in U.S. dollars, approximately $36 million in Canadian dollars and the remainder in Deutsche marks, Swiss francs, sterling, Netherlands guilders and Belgian francs.

c. Sale of Bonds from Bank's Portfolio

During the fiscal year 1960-61 the Bank sold or agreed to sell the principal amounts of its outstanding loans totalling the equivalent of U.S.$254.8 million. This compares with sales of U.S.$80 million in the year 1957-58, $93 million in the year 1958-59 and $219 million in 1959-60. All sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1961 aggregated about U.S.$965.0 million of which U.S.$381.7 million had been retired by the borrowers.

Earnings and Reserves

The net earnings of the Bank in the 12 months ending March 31, 1961 amounted to approximately U.S.$62.9 million which were transferred to the Supplemental Reserve Against Losses on Loans and Guarantees. In addition the Bank added U.S.$28.4 million to its Special Reserve during this period. On March 31, 1961, the Supplemental Reserve amounted to a total of U.S.$392.9 million and the Special Reserve to U.S.$186.3 million.

1960 Annual Meeting

At the Fifteenth Annual Meeting of the Board of Governors held in Washington, D.C., in September 1960, the

Governors reviewed the Bank's Annual Report covering its operations during its fiscal year 1959-60; the occasion also provided an opportunity for an exchange of views by Governors on the problems of economic development in general.

At this meeting, the Chairman announced the formal establishment on September 24, 1960 of the International Development Association as an affiliate of the Bank and as a source of assistance which will be more flexible and will impose less onerous foreign exchange obligations on the developing countries than the Bank is able to provide.

Just prior to the Annual Meeting the Governments of India and Pakistan and the Bank had signed a Water Treaty bringing to a successful conclusion years of difficult negotiations over the use of the waters of the Indus system. The Bank played a leading role in these discussions. The settlement was based on a water sharing scheme which requires the construction in Pakistan of extensive works to replace the flow of rivers which are in the future to be reserved for use by India. The cost involved is equivalent to approximately U.S.$1 billion and construction is expected to take ten years.

Simultaneously with the signing of the Water Treaty the Governments of Australia, Canada, Germany, New Zealand, Pakistan, the United Kingdom and the United States plus the Bank signed the Indus Basin Development Fund Agreement which will finance the construction costs of the scheme in Pakistan. The fund to be administered by the Bank will be financed by contributions of the participating governments, together with approximately $174 million payable by India under the Water Treaty, and $80 million out of the proceeds of a Bank loan to Pakistan. Under this agreement Canada has undertaken to contribute $22.1 million over the ten year period.

## Technical Assistance and Other Activities

Bank assistance to its member countries through general economic surveys continued during the year. The reports of the general survey missions to Libya and Tanganyika were published and the report of the Venezuelan mission was scheduled for publication in early May. A mission to Uganda, the 20th survey mission organized by the Bank, was preparing its report at the end of March. A 16-man mission went to Spain in March to assist the Government in working out the basis for a long-term development program for the Spanish economy, and a mission went to Kuwait, also in March, to advise the Government on the further economic development of the Sheikdom. In the more specialized field, the Bank provided assistance to Ireland, Pakistan and Saudi Arabia on specific development problems. Assistance on development banks was given in Peru, Colombia, Pakistan and Ethiopia. Advice to member countries on development planning and other economic development problems continued to be provided by the assignment of Bank staff members as resident representatives in Peru, Pakistan, India, Thailand and Ethiopia. At the request

of the Government of Nigeria, the Bank assigned one of its senior staff members to be Advisor to the Government for a two-year period beginning in November 1960. The Bank continued to participate in surveys financed by the United Nations Special Fund; as of March 31, 1961, the Bank was serving as Executing Agency for Special Fund projects in Argentina, Nigeria, Surinam, British Guiana and Thailand.

The Economic Development Institute, the Bank's staff college for senior officials of less developed member countries held its sixth regular course during the year. In January, 1961, the Bank began its 13th annual general training program for officials of more junior rank than those who attend the Economic Development Institute. These trainees will spend six months studying the Bank and its method of dealing with economic development problems.

## Membership

Cuba and the Dominican Republic withdrew from membership in the Bank during the year and Portugal and Nigeria became members so that there were 68 member countries as of March 31, 1961.

## Canadian Representation

The Honourable Donald Methuen Fleming, Minister of Finance, continued as Governor of the Bank and Mr. A. F. W. Plumptre, Assistant Deputy Minister, Department of Finance, as the Canadian Alternate Governor of the Bank. Mr. Louis Rasminsky continued during the year as Executive Director for Canada with Mr. C. L. Read serving as his Alternate.

## TABLE I

## IBRD -- LOANS

(April 1, 1960 through March 31, 1961)

| Member Country | Principal Amount (in millions of U.S. dollars | Date of Agreement | Term | Interest* Rate | Purpose |
|---|---|---|---|---|---|
| Burma | $ 14.000 | 16 Jan. '61 | 16 years | 5-3/4% | Railways |
| Colombia | 25.000 | 10 May '60 | 25 years | 6% | Power |
| Colombia | 5.400 | 20 Sept.'60 | 15 years | 5-3/4% | Railways |
| Costa Rica | 2.000 | 4 May '60 | 12 years | 6% | Industry |
| Costa Rica | 8.800 | 3 Feb. '61 | 25 years | 5-3/4% | Power |
| El Salvador | 3.840 | 29 July '60 | 25 years | 5-3/4% | Power |
| Honduras | 8.800 | 29 June '60 | 25 years | 6% | Power |
| India | 70.000 | 29 July '60 | 20 years | 5-3/4% | Railways |
| India | 20.000 | 28 Oct. '60 | 10 years | ** | Private Industry |
| Israel | 27.500 | 9 Sept.'60 | 25 years | 5-3/4% | Port |
| Japan | 6.000 | 20 Dec. '60 | 15 years | 5-3/4% | Steel Production |
| Japan | 7.000 | 20 Dec. '60 | 15 years | 5-3/4% | Steel Production |
| Japan | 12.000 | 16 Mar. '61 | 20 years | 5-3/4% | Power |
| Kenya | 5.600 | 27 May '60 | 10 years | 6% | Agriculture |
| Mexico | 25.000 | 18 Oct. '60 | 19 years | 5-3/4% | Highways |
| Mexico | 15.000 | 16 Jan. '61 | 20 years | 5-3/4% | Agriculture |
| Nicaragua | 12.500 | 22 June '60 | 25 years | 6% | Power |
| Norway | 25.000 | 2 Dec. '60 | 25 years | 5-3/4% | Power |
| Pakistan | 90.000 | 19 Sept.'60 | 30 years | *** | Power and Agriculture |
| Panama | 7.200 | 19 Aug. '60 | 15 years | 5-3/4% | Highways |
| Peru | 5.000 | 1 June '60 | 8 years | 6% | Agriculture |
| Peru | 24.000 | 29 June '60 | 25 years | 6% | Power |
| Peru | 5.500 | 19 Dec. '60 | 15 years | 5-3/4% | Highways |
| Rhodesia & Nyasaland | 5.600 | 1 Apr. '60 | 10 years | 6% | Agriculture |
| Sudan | 15.500 | 17 June '60 | 20 years | 6% | Agriculture |
| Uganda | 8.400 | 29 Mar. '61 | 20 years | 5-3/4% | Power |
| Yugoslavia | 30.000 | 23 Feb. '61 | 25 years | 5-3/4% | Power |
| TOTAL | $484.640 | | | | |

* Includes 1% commission charged on all Bank loans.

** Interest will be applied to each portion of the loan at the Bank's current rate when such portion is committed.

*** $80 million of this loan will be paid into the Indus Basin Development Fund and the balance of $10 million will be available to meet interest and other charges on the loan during the first eight years of the period of construction of the works. Each portion of the loan, as it is made available for disbursement, will carry interest at the rate then in effect for loans being made by the Bank.

TABLE II

Bond and Note Issues Sold or Arranged to be Sold
During the Period April 1, 1960 to March 31, 1961

| Issue and Maturity | Principal Amount in U.S.$ Equivalent |
|---|---|
| **Payable in U.S. Dollars** | |
| 4% Notes of 1960, due 1962 | 25,000,000 (a) |
| 4% Notes of 1960, due 1963 | 30,000,000 (a) |
| 4-1/2% Bonds of 1960, due 1968/72 | 120,000,000 (b) |
| 3-1/2% Two-Year Bonds of 1960, due 1962 | 100,000,000 |
| 3-1/2% Notes of 1961, due 1964/65 | 148,000,000 |
| 3-3/4% (c) Notes of 1961, due 1965/66 | 55,000,000 |
| 3-3/4% (c) Notes of 1961, due 1966/67 | 55,000,000 |
| **Payable in Deutsche Marks (d)** | |
| 4-1/2% Bonds of 1960, due 1968/72 (DM 500,000,000) | 125,000,000 (b) |
| 3-1/2% Notes of 1961, due 1964/65 (DM 200,000,000) | 50,000,000 |
| 3-3/4% (c) Notes of 1961, due 1965/67 (DM 200,000,000) | 50,000,000 |
| **Payable in Swiss Francs** | |
| 4-1/2% Fifteen-Year Bonds of 1960 (Sw F 60,000,000) due 1975 | 13,961,606 |
| 4% Bonds of 1961, due 1979 (Sw F 100,000,000) | 23,269,343 |
| 4% Loan of 1961, due 1967 (Sw F 33,333,333) (e) | 7,756,448 |

(a) The two 4% Note Issues of 1960, due 1962 and 1963 were refinanced by 3-3/4% Notes of 1961, due 1966-67. (See (c) below)

(b) Under the loan agreements covering the 4-1/2% U.S. Dollar Bonds of 1960, due 1968/72, and the 4-1/2% Deutsche Mark Bonds of 1960, due 1968/72, the Bank has until November 1, 1961 to draw down the principal of the loans. To date none of the principal of the dollar loan has been drawn down; DM 200,000,000 had been drawn down on the Deutsche Mark loan.

(c) Interest on the 3-3/4% Notes, due 1965/66, will be 4-1/2% until 1962 and 3-3/4% thereafter; on the 3-3/4% Notes due 1966/67 4% until 1963 and 3-3/4% thereafter; and on the DM Notes due 1965/67 4-3/4% until 1963 and 3-3/4% thereafter.

(d) The U.S. dollar equivalents on the Deutsche Mark issues have been adjusted to the revaluation of the Deutsche Mark.

(e) This was to refinance the maturing installment of 3-3/8% loan of 1957, due January 1, 1961.

N.B. None of the Bank's outstanding issues carry a sinking fund except the issue indicated below:

Payable in Swiss Francs

(1) 4% Bonds of 1961 due 1979 are covered by
  (a) Annual sinking fund April 15, 1971-78 - Sw F 11,000,000
  (b) Annual sinking fund April 15, 1979 - Sw F 12,000,000

## INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation began operations in July, 1956, as an international financial institution with an authorized capital of U.S. $100 million. Of that total, $96.6 million had, by March 31, 1961, been subscribed by the governments of 59 member countries. The Sudan and Nigeria with capital subscriptions of $111,000 and $369,000 respectively joined the Corporation during the year. The withdrawal of Cuba and the Dominican Republic from the Bank during the year meant automatic withdrawal from the IFC.

Following is a summary of the activities of the IFC during the period April 1, 1960 to March 31, 1961.

### Investment Operations

IFC invests in enterprises which are predominantly industrial (manufacturing, processing, mining), either for the expansion or improvement of an existing enterprise, or the creation of a new one.

During the period under review the Corporation made 12 new investment commitments and 2 additional investments in outstanding projects totalling $16 million (see Table I). This compared with 14 new investment commitments totalling $9.5 million in the previous year. As of March 31, 1961, IFC had 37 active investments in 17 countries, commitments on which, net of expired or cancelled projects, totalled $42.4 million. As of this date net amounts outstanding under these investments amounted to $30 million, of which $24.7 million was held by the Corporation and $5.3 million by private participants. New private participations in IFC investments during the year amounted to $575,000. The investments during 1960-61 were for the manufacture of pulp, food products, cement, sugar, textiles refractory bricks, steel products, twist drills, electrical equipment, home furniture, metal cans, pumps and valves, pulp lumber machinery and ship-building.

During the year under review disbursements on investments were approximately $9.4 million; the first repayments of principal totalling $51,250 were made; and the net earnings of the Corporation amounted to approximately U.S. $2.5 million.

### 1960 Annual Meeting

At the IFC's Fourth Annual Meeting in September 1960, the President, Mr. Robert L. Garner, in reviewing the Corporation's Annual Report, stressed the important contribution to be made by private venture capital toward economic expansion in the less developed areas. In this connection Mr. Garner proposed that consideration be given to amending the IFC charter to remove the existing prohibition against investment in capital stock. Four years' experience had shown, he said, that there are serious objections to the resulting investment pattern; stock options, the nearest thing to shares available to IFC, are unfamiliar and in some countries possibly not legal and present difficult technical problems. Given the right to invest in equities at its discretion, IFC could not only make more effective and better investments in certain instances but could cooperate in the development of capital markets in underdeveloped countries by underwriting issues for public subscription. IFC, however, would not wish to vote any stock

held by it except in cases of jeopardy or other special circumstances. The proposal to amend the charter to permit equity investment has since been considered by the Executive Directors and referred to the Board of Governors for final disposition.

Canadian Representation

Canada's representatives on the Board of Governors and the Board of Directors of the International Bank for Reconstruction and Development during the period under review, served ex officio on the Boards of the International Finance Corporation.

TABLE I

New and Additional Investments

April 1, 1960 - March 31, 1961

| Date | | Country | Type of Business | Amount (U.S. $ Equivalent) |
|---|---|---|---|---|
| 1960 | June | Tanganyika | Kilombero Sugar Company Ltd. (Sugar) | $ 2,800,000 |
| | June | Australia | Rubbertex Proprietary, Ltd., (Rubber products) (Additional Investment) | 90,000 |
| | June | India | Assam Sillimanite, Ltd. (Refractory bricks) | 1,365,000 |
| | June | Argentina | Acindar Industria Argentina de Aceros, S.A. (Steel products) | 3,660,000 |
| | June | Italy | Magrini Meridionale S. p.A (Electrical equipment) | 960,000 |
| | June | Venezuela | Siderurgica Venezolana, S.A. (Steel products) | 3,000,000 |
| | June | Finland | Oy Kutomotuote Ab, Tricol Oy (Textiles) | 156,000 |
| | July | Venezuela | Diablitos Venezolanos, C.A. (Food products) | 500,000 |
| | September | Chile | Cementos Bio-Bio, S.A. (cement) (additional investment) | 200,000 |
| | September | Finland(1) | Rauma-Repola Oy (Pulp, lumber, machinery and shipbuilding) | 1,875,000(1) |
| 1960 | October | Mexico | Acero Solar, S.A. (Twist drills) | 280,000 |
| | November | Colombia | Envases Colombianos, S.A. (Metal cans) | 700,000 |
| 1961 | January | Colombia | Berry, Selvey Y Cia., S.A. (home furniture) | 170,000 |
| | January | India | KSB Pumps Private, Ltd. (Pumps, compressors and valves) | 210,000 |
| | | | | $15,966,000 |

(1) Participations through IFC in this amount:

Philadelphia International Investment Corporation ...... $375,000
SOFINA of Belgium ...................................... 200,000

## INTERNATIONAL DEVELOPMENT ASSOCIATION

The Agreement establishing the International Development Association (IDA) came into force in September 1960. No transactions had taken place before the end of the year under review. Following, however, is a brief review of events leading to the establishment of the Association and of the general principles on which the operations of the institution are to be based.

The Governors of the Bank at their Annual Meeting in October 1959 approved, on the initiative of the United States, a resolution "that with respect to the question of creating an International Development Association as an affiliate of the Bank, the Executive Directors, having regard to the views expressed by Governors and considering the broad principles on which such an Association should be established and all other aspects of the matter, are requested to formulate articles of agreement of such an Association for submission to the member Governments of the Bank."

After careful study by the Executive Directors, draft articles, together with a report related thereto, were submitted to all member governments of the Bank in January 1960 proposing the establishment of the institution with a total subscription of $1 billion payable over a period of five years. Membership was limited to members of the Bank and subscriptions made proportionate to those of the Bank. Canadian participation, with an initial subscription of U.S. $37.83 million, was authorized by the International Development Association Act 1960. The IDA came into force on September 24, 1960 when countries with subscriptions exceeding the required 65% of total subscriptions had become members. As of March 31, 1961 the IDA had 39 members with subscriptions totalling U.S. $853.2 million.

The purposes of IDA, as set out in its Articles of Agreement, are: "to promote economic development, increase productivity and thus raise standards of living in the less developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development and supplementing its activities."

A unique feature of the IDA is the division of member countries into two groups for purposes of initial subscriptions. Subscriptions are payable over a five-year period, countries in both groups paying 10% of their initial subscriptions in gold or freely convertible currencies. One group, the 17 more industrialized member countries of the Bank, including Canada, will pay the remaining 90% in five equal instalments to gold or freely convertible currencies; the other group, consisting of the less developed countries, will in similar instalments pay their 90% in their national currencies, which IDA will not be free to convert into other currencies or to use to finance exports from the country concerned without its consent. Table I sets out the initial subscription of both groups of countries and indicates those countries which had completed membership at March 31, 1961. IDA is to keep the adequacy of its resources

under regular review. It is contemplated that the first review will take place before the end of the first five-year period, and subsequent examinations at intervals of approximately five years thereafter. General or individual increases in subscriptions may be authorized at any time.

IDA has been organized as an affiliate of the Bank. Its Boards of Governors and Executive Directors are the same as the Bank and they serve _ex officio_ in the IDA. The Governors have delegated to the Executive Directors the same broad powers as have been so delegated in the case of the Bank. The President of the Bank is _ex officio_ President of IDA and Chairman of the IDA Executive Board. Initially at least, IDA has no separate officers and staff, the officers and staff of the Bank having been appointed to serve IDA concurrently without additional compensation.

Under its Articles, the IDA is permitted a considerable degree of flexibility in the terms of its lending and may finance a wider range of projects than the Bank, including projects which may not be primarily revenue-producing or directly productive; the only stipulation of the Articles is that projects shall be of "high developmental priority."

No loans had been made to the end of March 1961 but Mr. Eugene Black, President of IDA, reported that investigations were being made into possible IDA operations in almost every region of the world. In meeting among others the objective that IDA credits should bear less heavily on the balance of payments of borrowing countries, Mr. Black indicated that the Management would recommend for the first projects being considered development credits repayable in foreign exchange but with no interest and with a maturity of fifty years including a period of grace of ten to twenty years. A small service charge would be made to offset administrative expenses. These terms were not to be regarded as establishing a precedent for the IDA; terms will be determined in accordance with the merits of each development credit.

TABLE I

Initial Subscriptions

(US $ Millions)

PART I

| Country | Subscription | Country | Subscription | |
|---|---|---|---|---|
| *Australia | 20.18 | *Japan | 33.59 | |
| Austria | 5.04 | Luxembourg | 1.01 | |
| Belgium | 22.70 | Netherlands | 27.74 | |
| *Canada | 37.83 | *Norway | 6.72 | |
| *Denmark | 8.74 | *Sweden | 10.09 | |
| *Finland | 3.83 | *Union of South Africa | 10.09 | |
| *France | 52.96 | *United Kingdom | 131.14 | |
| *Germany | 52.96 | *United States | 320.29 | |
| *Italy | 18.16 | | | |
| | | | | 763.07 |

PART II

| Country | Subscription | Country | Subscription | |
|---|---|---|---|---|
| *Afghanistan | 1.01 | *Israel | 1.68 | |
| Argentina | 18.83 | *Jordan | 0.30 | |
| Bolivia | 1.06 | Korea | 1.26 | |
| Brazil | 18.83 | Lebanon | 0.45 | |
| Burma | 2.02 | Libya | 1.01 | |
| Ceylon | 3.03 | *Malaya | 2.52 | |
| *Chile | 3.53 | Mexico | 8.74 | |
| *China | 30.26 | *Morocco | 3.53 | |
| Colombia | 3.53 | *Nicaragua | 0.30 | |
| Costa Rica | 0.20 | *Pakistan | 10.09 | |
| Cuba | 4.71 | Panama | 0.02 | |
| Dominican Republic | 0.40 | *Paraguay | 0.30 | |
| Ecuador | 0.65 | Peru | 1.77 | |
| El Salvador | 0.30 | *Philippines | 5.04 | |
| Ethiopia | 0.50 | *Saudi Arabia | 3.70 | |
| *Ghana | 2.36 | *Spain | 10.09 | |
| Greece | 2.52 | *Sudan | 1.01 | |
| Guatemala | 0.40 | *Thailand | 3.03 | |
| Haiti | 0.76 | *Tunisia | 1.51 | |
| *Honduras | 0.30 | *Turkey | 5.80 | |
| Iceland | 0.10 | *United Arab Republic | 6.03 | |
| *India | 40.35 | Uruguay | 1.06 | |
| Indonesia | 11.10 | Venezuela | 7.06 | |
| *Iran | 4.54 | *Viet-Nam | 1.51 | |
| *Iraq | 0.76 | *Yugoslavia | 4.04 | |
| *Ireland | 3.03 | | | |
| | | | | 236.93 |
| | | | | 1,000.00 |

* indicates members as of March 31, 1961

Canada. Finance, Dept of

REPORT ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENTS ACT

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

DURING THE

FISCAL YEAR 1961-62

## Introductory Note

The present report contains a summary of the operations of the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association during the period April 1, 1961 through March 31, 1962. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions, other than the IDA, is contained in the report on operations during the fiscal year 1958-59. A similar description for IDA was contained in the 1960-61 report.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Monetary Fund and the International Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The Agreement by which the International Development Association was established came into force in September 1960. Canadian participation in the Association, which is an affiliate of the International Bank, was authorized by the International Development Association Act, 1960.

The four organizations are closely linked in membership and general fields of endeavour. Membership in the International Monetary Fund is a prerequisite for membership in the International Bank for Reconstruction and Development, and membership in the International Bank is a prerequisite for membership in the International Finance Corporation and the International Development Association. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C.

INTERNATIONAL MONETARY FUND

Following is a summary of the operations of the International Monetary Fund for the fiscal year April 1, 1961 to March 31, 1962.

1961 Annual Meeting

The Board of Governors, under the Chairmanship of the Governor for Thailand, Sunthorn Hongladarom, held its Sixteenth Annual Meeting in Vienna, Austria, from September 18 through September 22, 1961. The Board of Governors heard the Managing Director's presentation of the Annual Report, discussed the policies and activities of the Fund, and exchanged views on international developments and prospects. Particular attention was given to the need to strengthen the Fund's resources by borrowing currencies under Article VII of the Fund Agreement (see page 3).

At the session of September 19, 1961, tributes were paid to the late Secretary-General of the United Nations, Dag Hammarskjold, by the Chairman and the Managing Director.

At the closing session of the Annual Meeting, the Governor for Saudi Arabia was elected Chairman for the ensuing year and the Governor for Chile was elected Vice-Chairman. The Seventeenth Annual Meeting will be convened in Washington, D.C., on September 17, 1962.

Canadian Representation

The Honorable Donald Methuen Fleming, Minister of Finance, has been the Canadian Governor of the Fund since June 28, 1957. Mr. Louis Rasminsky, Governor of the Bank of Canada, was appointed Alternate Governor on August 16, 1961. In addition, he serves as Executive Director for Canada. Mr. L.D. Hudon is his Alternate.

Membership

During the year under review, five new members joined the Fund and fourteen other countries applied for membership.

Laos became a member on July 5, 1961, with a quota of US$ 7.5 million; New Zealand on August 31, 1961 with a quota of US$ 125 million; Nepal on September 6, 1961, with a quota of US$ 7.5 million;

Cyprus on December 21, 1961, with a quota of US$ 11.2 million; and Liberia on March 28, 1962, with a quota of US$ 11.2 million. On October 27, 1961, the Executive Directors concluded that the Syrian Arab Republic and the United Arab Republic were separate members of the Fund, with quotas of US$ 15 million and US$ 90 million respectively. The total number of members at March 31, 1962 was 76 and the aggregate of quotas US$ 15,056.9 million.

Applications for membership from Senegal, Sierra Leone and Togo were approved on September 20, 1961, by the Board of Governors at its Sixteenth Annual Meeting. Quotas of US$ 11.2 million each were agreed for Sierra Leone and Togo. The initial quota for Senegal was set at US$ 7.5 million with provisions for increases by steps to a maximum of US$ 25 million. These countries have not yet completed the necessary membership procedures and the period for acceptance has been extended to July 30, 1962. The Board of Governors, on March 31, 1962, approved the application of Somalia for membership in the Fund with a quota of US$ 11.2 million.

Work is proceeding on applications for membership from the Federal Republic of Cameroun, from the Republics of Chad, the Congo (Brazzaville), Dahomey, Gabon, Guinea, the Ivory Coast, and the Niger, and from Kuwait and Tanganyika.

Acceptance of the Obligations of Article VIII

The 1960-61 Report to Parliament outlined the important discussions leading up to the decision, early in 1961, of eleven countries to move away from the transitional provisions embodied in Article XIV of the Fund Agreement and formally accept the permanent obligations of Article VIII, thereby joining the ten Western Hemisphere countries, including Canada, which had already accepted these obligations. Under Article XIV, these countries were able to maintain and adapt exchange restrictions without obtaining prior approval from the Fund. Under Article VIII they are required to avoid restrictions on current payments, multiple exchange rates, and discriminatory currency practices, and should they have to resort to such measures,

hey would have to consult with the Fund and obtain prior approval.

During the course of the year under review, there was no ecision on the part of any other members of the Fund to formally ccept Article VIII status.

eneral Arrangements to Increase Resources

During the latter part of 1961, negotiations were completed o enable the Fund, if it so wishes, to borrow supplementary resources quivalent to US$ 6 billion from ten major industrial countries which re members of the Fund. These resources will be available in ddition to those arising from the regular subscriptions of these ountries to the Fund. They are to be used to forestall a threat to, r cope with an impairment of, the international payments system. The rrangements are designed to ensure that the IMF will not be prevented y a shortage of funds from maintaining its ordinary lending policies nd practices. The need for them arises from the fact that, under onditions of greatly increased convertibility of currencies, large ums of mobile funds have tended to move between financial centres, ften aggravating the large payments imbalances that have developed or more fundamental reasons.

Canada is one of the countries which has agreed to participate n this plan and has indicated that, subject to parliamentary approval, t would be prepared to lend, if required, up to the equivalent of S$ 200 million. The participants together with the amounts which hey would be prepared to lend are shown in the following table:

| Participants | | Amount (million - U.S. dollar equivalent) |
|---|---|---|
| United States | | $ 2,000 |
| Deutsche Bundesbank | | 1,000 |
| United Kingdom | | 1,000 |
| France | | 550 |
| Italy | | 550 |
| Japan | | 250 |
| Canada | | 200 |
| Netherlands | | 200 |
| Belgium | | 150 |
| Sweden | | 100 |
| | Total | $ 6,000 |

The borrowing arrangements are embodied in a decision of the Executive Board which provides, among other things, that any transactions by the Fund in which borrowed resources are employed will be subject to the established principles and practices of the Fund and will pay due regard to the reserve and balance of payments position of the participating countries; that the Fund will pay a borrowing charge to lending countries; that the Fund will repay lending members when the member to whom the Fund makes the borrowed resources available repays the Fund, and in any event not later than 5 years after the borrowing; that the member lending to the Fund may obtain repayment earlier if it itself encounters balance of payments difficulties. One participant, Italy, has already formally notified the Fund of its adherence to the Board's decision.

Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term current payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programmes often in conjunction with financial assistance from other sources.

Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit and within a specified period.

From the beginning of the Fund's operations to March 31, 1962, 44 members have made foreign exchange drawings equivalent to US$ 6,258 million. During the year under review, there were drawings by 23 member countries amounting to the equivalent of $2,427 million compared to drawings of $402 million during the previous fiscal year. The 1961-62 total includes a drawing equivalent to US$ 1,500 million by the United Kingdom. This drawing was accompanied by a one-year stand-by arrangement for another $500 million. It was the largest single drawing ever made in the Fund by one country. Canada

participated in this transaction to the extent of the Canadian equivalent of US$ 75 million. In order to replenish its holdings of members' currencies after this transaction, the Fund sold gold to its members in the amount equivalent to US$ 500 million, of which the equivalent of $25 million was sold to Canada. Canadian dollars were also drawn to the extent of US$ 10 million in connection with a drawing of the equivalent of US$ 175 million by Australia.

Of the total purchases made during 1961-62, $815 million or 34 per cent was in US dollars compared to $174 million or 43 per cent in 1960-61, $475 million was in deutsche marks, $342 million in French francs, $201 million in Italian lire, $157 million in Netherlands guilders, $136 million in pounds sterling, $102 million in Belgian francs, $85 million in Canadian dollars, $80 million in Japanese yen, and $35 million in Swedish Kronor (Table I). During the year, $2,062 million was purchased in accordance with arrangements for immediate drawings and $365 million was drawn by 17 members in accordance with existing stand-by arrangements (Table II). The amounts not drawn but available under stand-by arrangements at March 31, 1962, totalled $1,906 million.

Purchases beyond 25 per cent of a member's quota in any 12-month-period require a waiver. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review (except in the case of Iceland); waivers were also granted in connection with all immediate drawings.

The revised schedule of Fund charges on purchases which has been in effect since January 1, 1954, was extended by the Executive Board until April 30, 1962.

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. Repurchases amounting to $1,182 million were made by members between April 1, 1961, and March 31, 1962 (Table III).

From the beginning of the Fund's operations to March 31, 1962, repurchases and other transactions having the same effect on members' balance totalled $3,996 million.

On March 31, 1962, the Fund's holdings of member currencies (including non-negotiable, non-interest bearing notes) were equivalent to $11,539 million of which $2,672 million was in US dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement at March 31, 1962, amounted to the equivalent of US$ 9,654 million of which $2,899 million was in gold. On that date the largest holding of a convertible currency other than US dollars was in pounds sterling and was equivalent to US$ 2,258 million.

Exchange Restrictions

The Twelfth Annual Report on Exchange Restrictions, published in May 1961, surveyed developments in exchange restrictions throughout the world during the period ended March 1961 and described the main features of the exchange system of all Fund members and of five other countries, two of which (Laos and New Zealand) subsequently became members. The Report pointed out that the key development in this period was the successful defence of the system of convertibility. It referred to the decisive step taken early in 1961 by 11 Fund member countries in their move away from the transitional arrangements provided for in Article XIV of the Fund Agreement to the acceptance of the convertibility obligations embodied in Article VIII. Preparatory discussions held during 1960 had resulted in a decision of the Executive Board which set out the lines to be followed by countries in moving to Article VIII status. Under the terms of this decision, Fund members may at any time notify the Fund of their formal acceptance of Article VIII status on the condition that they had eliminated as far as possible measures which under Article VIII are subject to the approval of the Fund, and satisfied themselves that they were not likely to need to have recourse to such measures in the foreseeable future. The Fund would approve such measures under Article VIII which

were maintained for balance of payments reasons, only where it was satisfied that the measures were necessary, and that their use would be temporary while the member sought to eliminate the need for them. The view was expressed that the use of exchange restrictions for other than balance of payments reasons should be avoided to the greatest possible extent. The report drew attention to the continued decline in the use of multiple currency practices and the simplifications of complex multiple rate systems that were made possible by some fundamental revisions in the monetary and fiscal policies of the countries concerned. It also referred to the decline in the number of bilateral payments arrangements and to other developments, such as the regional trading arrangements developing in Europe and Latin America, the use of advance deposit requirements as a prerequisite to the granting of import or exchange licenses, and the liberalization of capital transactions. The continued reduction in restrictions by most countries helped to sustain the volume of world trade. The number of countries which had to resort to increased restrictions was small.

Consultations in 1961

Members of the Fund which have accepted Article VIII status are under no obligation to engage in regular consultations with the Fund unless they introduce or maintain exchange restrictions that require Fund approval under the terms of Article VIII. The Executive Board considered, however, that there is a great merit in maintaining voluntary discussions once every year between the Fund and the Article VIII countries even though no questions had arisen requiring action under Article VIII. Consultations took place with 10 Article VIII countries under the terms of this decision including, for the first time, consultations with Canada which were held in February 1962.

Members of the Fund which continue to maintain exchange restrictions under Article XIV of the Fund Agreement are required to consult the Fund annually concerning such restrictions. The tenth

series of consultations began in March 1961. During the period under review, consultations under Article XIV were completed with 34 member countries. These consultations continued to provide opportunities for discussions, not only of the economic and financial problems which have given rise to restrictive and discriminatory practices, but also of the possibilities of further relaxation of restrictions.

In connection with nearly all these consultations and discussions, Fund missions have visited various member countries. Discussions with representatives of Australia and Israel were held at the Fund's headquarters in Washington.

Par Values

The Fund concurred in proposals by the Governments of Costa Rica, Ecuador, Iceland and Israel for changes in the par value of their currencies. The par value of the colón was changed from ₡ 5.615 to ₡ 6.625 per US dollar, effective September 3, 1961; the par value of the sucre from S/ 15.0 to S/ 18.0 per US dollar, effective July 19, 1961; the par value of the krona from IKr 38.0 to IKr 43.0 per US dollar, effective August 4, 1961; and the par value of the Israel pound from £I 1.80 to £I 3.00 per US dollar, effective February 9, 1962.

The initial par value for the New Zealand pound, at £NZ 0.359596 per US dollar, was established on October 27, 1961, by agreement between the Fund and the Government of New Zealand.

Initial par values have now been agreed between the Fund and all but 14 of its members -- Afghanistan, China, Cyprus, Indonesia, Korea, Laos, Liberia, Malaya, Nepal, Nigeria, Portugal, Thailand, Tunisia, and Viet-Nam.

Gold Transaction Service

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund

confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended to include five international organizations and several non-member countries among those who are permitted to use it.

Since March 1952, the central banks of 25 member countries and five international organizations have effected purchases and sales of gold through the facilities provided by this service.

During the period under review five transactions were completed by the Fund amounting to a total of about $27 million. Since the Fund's gold transaction service was authorized in March 1952, transactions equivalent to $1,083 million have been completed.

Gold Subsidies

Australia consulted the Fund concerning a modification of its present system of gold subsidies, designed to remove inequities which had arisen because of the previous sharp distinction between "small" and "large" producers. The Fund also reviewed the new arrangements adopted by the Philippines granting financial assistance to marginal and over-marginal gold mines, under which the amount of assistance would be related to the presumed economic need of each category of mine. The Fund deemed the modified system of Australia and the new arrangements adopted by the Philippines to be consistent with the objectives of the Fund's statement of December 11, 1947, on gold subsidies.

Cooperation with Members - Technical Assistance

In addition to exchanging views in the course of the consultations under Articles VIII and XIV, the Fund has continued to give advice and assistance in specific technical fields as requested by member governments. Matters on which the Fund has cooperated with

its members in this way include stabilization programmes, exchange rate and exchange control policies and practices, the fiscal system in its relation to exchange policy, and the compilation of financial statistics.

In the case of new members and of countries which had not yet completed the requirements for assuming membership, the Fund participated in the preparation for the establishment of a currency board and of a central bank. It also sent fact-finding missions to two countries to review their general economy and current economic problems. A fund mission prepared an import programme for a country in need of international aid and reviewed its exchange system. In response to requests, the Fund found technical personnel for new monetary and financial institutions.

Between April 1, 1961 and March 31, 1962, members of the staff visited 70 countries for purposes of consultations, technical assistance, or the informal exchange of views and information. Periods of assignment have ranged from a few weeks to more than a year. Staff members were made available on long-term assignments to 13 countries.

The frequent visits made to member countries by the Managing Director and the Deputy Managing Director have provided valuable opportunities for close and continuous exchange of views. Members of the Executive Board play an essential role in keeping the Fund informed of current trends in the countries they represent, and visits to Washington by officials from member countries, which are frequently made when some special matter is under consideration, such as the negotiation of a stand-by arrangement, also help to ensure that the Fund functions as a genuinely cooperative international organization.

Training Programme

In the annual training programme which terminated at the end of August 1961, there were 23 participants, including 12 on shorter term appointments of six to nine months. In the programme which began in September 1961, there are 19 participants undertaking the full

programme and five six-month participants. The programme offers specialized instruction and practical work in the main areas of the Fund's competence to officials from central banks and government departments in member countries. Participants since the inception of the programme number 238 from 66 member countries.

Organization

An African Department was established in May 1961, and has been active in advising on membership procedures and in the Fund's programme of technical assistance both to members and applicants for membership.

Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has close contacts with the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), and the Bank for International Settlements. The arrangements for cooperation between the Fund and the Organization for European Economic Cooperation (OEEC) were continued with its successor, the Organization for Economic Co-operation and Development (OECD).

Close liaison has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with their staffs, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. The United Nations was represented at the Annual Meeting of the Board of Governors of the Fund, and Fund representatives have attended meetings of the General Assembly of the United Nations. Fund representatives also participated in meetings of the Economic and Social Council and its Commissions and Committees, the Technical Assistance Board, the Special Fund, the Administrative Committee on Coordination and its subsidiary bodies, the Food and Agriculture Organization, the Conference of African Statisticians, and the Conference of European Statisticians. The

Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 31st session of the UN Economic and Social Council in April 1961.

Staff members have participated in discussions on compensatory financing of commodity fluctuations which were held under the auspices of the United Nations, the Food and Agriculture Organization and the Organization of American States.

Fund representatives also attended the second annual meeting of the Board of Governors of the Inter-American Development Bank, and the Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level, held at Punta del Este, Uruguay.

Fund missions have again attended sessions and other meetings of the CONTRACTING PARTIES in Geneva during the period under review, and the CONTRACTING PARTIES were represented at the Annual Meeting of the Board of Governors. The CONTRACTING PARTIES consulted with the Fund in connection with their regular consultations with individual governments on import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions or exchange rates were involved. The Fund transmits to the CONTRACTING PARTIES the results of its own Article XIV consultations with the various governments consulting under the balance of payments provisions of the GATT, together with background material relating to such countries, and Fund missions cooperate with the GATT committee conducting the consultations. These arrangements have been extended to include the Fund's consultations with common members under Article VIII.

Publications

In addition to the Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1961 (Sixteenth Annual Report) and the Twelfth Annual Report on Exchange Restrictions, the following publications were issued:

_Summary Proceedings of the Sixteenth Annual Meeting of the Board of Governors_

_International Financial Statistics_ (monthly)

_International Financial News Survey_ (weekly)

_Schedule of Par Values_, 32nd and 33rd issues

_Staff Papers_, Vol. VIII, Nos. 2 and 3; Vol. IX, No. 1

_Balance of Payments Yearbook_, Vol. 13

_By-Laws, Rules and Regulations_, 21st issue

_Direction of International Trade_ (in conjunction with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations)

_Central Banking Legislation_, a collection of Central Bank, Monetary and Banking Laws

April 1, 1961 - March 31, 1962

(millions of U.S. dollars equivalent)

| Member Drawing | Total | United States Dollars | Pound Sterling | Deutsche Marks | Netherlands Guilders | French Francs | Italian Lire | Japanese Yen | Swedish Kronor | Belgian Francs | Canadian Dollars |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | 60.00 | - | - | 12.00 | 12.00 | 12.00 | 12.00 | - | - | 12.00 | - |
| Australia | 175.00 | 40.00 | 30.00 | 55.00 | 10.00 | 15.00 | 15.00 | - | - | - | 10.00 |
| Bolivia | 2.00 | 2.00 | - | - | - | - | - | - | - | - | - |
| Brazil | 60.00 | 25.00 | - | 25.00 | - | - | 10.00 | - | - | - | - |
| Ceylon | 22.51 | - | 16.88 | 5.63 | - | - | - | - | - | - | - |
| Chile | 35.00 | 7.50 | - | 10.00 | - | 17.50 | - | - | - | - | - |
| Colombia | 40.00 | 20.00 | - | - | 10.00 | - | 10.00 | - | - | - | - |
| Costa Rica | 7.50 | 7.50 | - | - | - | - | - | - | - | - | - |
| Ecuador | 15.00 | 15.00 | - | - | - | - | - | - | - | - | - |
| El Salvador | 8.00 | 8.00 | - | - | - | - | - | - | - | - | - |
| Guatemala | 3.00 | 3.00 | - | - | - | - | - | - | - | - | - |
| Haiti | 1.50 | 1.50 | - | - | - | - | - | - | - | - | - |
| Honduras | 3.75 | 3.75 | - | - | - | - | - | - | - | - | - |
| India | 250.00 | 110.00 | 60.00 | 45.00 | - | 15.00 | 15.00 | 5.00 | - | - | - |
| Indonesia | 82.50 | 40.25 | 7.00 | 18.00 | - | 7.00 | 10.25 | - | - | - | - |
| Iran | 7.50 | - | - | 7.50 | - | - | - | - | - | - | - |
| Mexico | 45.00 | 45.00 | - | - | - | - | - | - | - | - | - |
| Nicaragua | 4.50 | 4.50 | - | - | - | - | - | - | - | - | - |
| Phil. Rep. | 28.30 | 6.10 | 11.20 | 11.00 | - | - | - | - | - | - | - |
| Turkey | 16.00 | 5.00 | - | 5.00 | - | 3.00 | 3.00 | - | - | - | - |
| U.A.R. | 39.90 | 14.95 | 11.20 | 8.75 | - | - | 5.00 | - | - | - | - |
| U.K. | 1,500.00 | 450.00 | - | 270.00 | 120.00 | 270.00 | 120.00 | 75.00 | 30.00 | 90.00 | 75.00 |
| Yugoslavia | 20.00 | 6.00 | - | 2.00 | 5.00 | 2.00 | - | - | 5.00 | - | - |
| Total | 2,426.96 | 815.05 | 136.28 | 474.88 | 157.00 | 341.50 | 200.25 | 80.00 | 35.00 | 102.00 | 85.00 |

TABLE II

Stand-By Arrangements in Force: April 1, 1961, - March 31, 1962

(millions of U.S. dollars)

| r | Date of Arrangement | Date of Expiration | Amount | Amount Purchased April 1, 1961-March 31, 1962 | Total Amount Purchased Under Stand-By | Amount Available March 31,196 |
|---|---|---|---|---|---|---|
| tina | Dec. 12, 1960 | Dec. 11, 1961 | 100.00 | 60.00 | 60.00 | - |
| | Dec. 12, 1961 | Dec. 11, 1962 | 100.00 | - | - | 100.00 |
| alia | May 1, 1961 | Apr. 30, 1962 1/ | 100.00 | - | - | - |
| ia | July 27, 1961 | July 26, 1962 | 7.50 | 2.00 | 2.00 | 5.50 |
| l | May 18, 1961 | May 17, 1962 | 160.00 | 60.00 | 60.00 | 100.00 |
| | Feb. 16, 1961 | Feb. 15, 1962 | 75.00 | 35.00 | 60.00 | - |
| bia | Nov. 1, 1960 | Oct. 31, 1961 | 75.00 | 40.00 | 65.00 | - |
| | Jan. 1, 1962 | Dec. 31, 1962 | 10.00 | - | - | 10.00 |
| Rica | Oct. 4, 1961 | Oct. 3, 1962 | 15.00 | 7.50 | 7.50 | 7.50 |
| or | June 8, 1961 | June 7, 1962 | 10.00 | 10.00 | 10.00 | - |
| lvador | July 13, 1961 | July 12, 1962 | 11.25 | 8.00 | 8.00 | 3.25 |
| mala | June 6, 1960 | June 5, 1961 | 15.00 | - | - | - |
| | Aug. 14, 1961 | Aug. 13, 1962 | 15.00 | 3.00 | 3.00 | 12.00 |
| | Oct. 1, 1960 | Sept.30, 1961 | 6.00 | - | - | - |
| | Oct. 1, 1961 | Sept.30, 1962 | 6.00 | 1.50 | 1.50 | 4.50 |
| ras | May 1, 1961 | Apr. 30, 1962 | 7.50 | 3.75 | 3.75 | 3.75 |
| nd | Feb. 16, 1961 | Dec. 31, 1961 | 1.63 | - | - | - |
| | Mar. 22, 1962 | Mar. 21, 1963 | 1.63 | - | - | 1.63 |
| esia | Aug. 16, 1961 | Aug. 15, 1962 | 41.25 | 41.25 | 41.25 | - |
| | Oct. 10, 1960 | Mar. 20, 1962 2/ | 35.00 3/ | 7.50 | 22.50 3/ | - |
| | Jan. 19, 1962 | Jan. 18, 1963 | 305.00 | - | - | 305.00 |
| o | July 13, 1961 | July 12, 1962 | 90.00 | 45.00 | 45.00 | 45.00 |
| agua | Nov. 3, 1960 | Nov. 2, 1961 | 7.50 | 4.50 | 6.00 | - |
| uay | Oct. 10, 1960 | Oct. 9, 1961 | 3.50 | - | 1.00 | - |
| | Dec. 11, 1961 | Dec. 10, 1962 | 5.00 | - | - | 5.00 |
| | Mar. 1, 1961 | Feb. 28, 1962 | 30.00 | - | - | - |
| | Mar. 1, 1962 | Feb. 28, 1963 | 30.00 | - | - | 30.00 |
| Africa | July 6, 1961 | July 5, 1962 | 75.00 | - | - | 75.00 |
| n Arab blic | Mar. 26, 1962 | Sept.30, 1962 | 6.60 | - | - | 6.60 |
| y | Jan. 1, 1961 | Dec. 31, 1961 | 37.50 | 16.00 | 16.00 | - |
| | Mar. 30, 1962 | Dec. 31, 1962 | 31.00 | - | - | 31.00 |
| d dom | Aug. 8, 1961 | Aug. 7, 1962 | 500.00 | - | - | 1,130.00 4/ |
| ay | June 6, 1961 | June 5, 1962 | 30.00 | - | - | 30.00 |
| uela | Apr. 7, 1960 | Apr. 6, 1961 | 100.00 | - | - | - |
| lavia | Jan. 1, 1961 | Dec. 31, 1961 | 30.00 | 20.00 | 30.00 | - |
| Total | | | | 365.00 | | 1,905.73 |

ancelled on September 5, 1961.

ran's stand-by, due to expire on October 9, 1961, was extended to March 20, 1962.

fter drawings, totalling $22.50 million, a repurchase of $19.50 million increased the available balance to $32 million.

ncreased from $500 million by repurchases of $280 million, $140 million and $210 million.

(millions of U.S. dollars equivalent)

| Member Repurchasing | Total | United States Dollars | Canadian Dollars | Deutsche Marks | Belgian Francs | Italian Lire | French Francs | Netherlands Guilders | Pound Sterling | Gold |
|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | 25.00 | 25.00 | - | - | - | - | - | - | - | - |
| Australia | 175.00 | 95.00 | 10.00 | 35.00 | - | 10.00 | 15.00 | 10.00 | - | - |
| Bolivia | 5.04 | 5.04 | - | - | - | - | - | - | - | - |
| Brazil | 20.00 | 20.00 | - | - | - | - | - | - | - | - |
| Chile | 10.40 | 10.40 | - | - | - | - | - | - | - | - |
| El Salvador | 13.25 | 2.00 | - | - | - | - | - | - | - | 11.25 |
| Haiti | 2.98 | 2.98 | - | - | - | - | - | - | - | - |
| Honduras | 1.92 | 1.90 | - | - | - | - | - | - | - | 0.02 |
| India | 127.50 | 67.50 | - | - | - | - | - | - | 60.00 | - |
| Indonesia | 14.00 | - | - | - | - | - | - | - | - | 14.00 |
| Iran | 37.03 | 21.11 | - | - | - | - | - | - | - | 15.92 |
| Libya | 1.07 | 1.07 | - | - | - | - | - | - | - | - |
| Morocco | 7.52 | 7.52 | - | - | - | - | - | - | - | - |
| Nicaragua | 1.50 | 1.49 | - | - | - | - | - | - | - | 0.01 |
| Paraguay | 1.75 | 1.75 | - | - | - | - | - | - | - | - |
| Philippine Rep. | 2.91 | 2.24 | - | - | - | - | - | - | - | 0.67 |
| South Africa | 37.49 | 37.49 | - | - | - | - | - | - | - | - |
| Spain | 35.95 | 17.94 | 0.30 | - | - | - | - | - | 5.60 | 12.11 |
| Sudan | 2.92 | 2.92 | - | - | - | - | - | - | - | - |
| Syrian Arab Rep. | 2.88 | 1.88 | - | - | - | - | - | - | - | 1.00 |
| Turkey | 5.50 | 5.50 | - | - | - | - | - | - | - | - |
| United Arab Rep. | 12.71 | 4.99 | - | - | - | - | - | - | - | 7.72 |
| United Kingdom | 630.00 | 380.00 | - | 140.00 | 15.00 | 10.00 | 50.00 | 35.00 | - | - |
| Yugoslavia | 7.50 | 7.50 | - | - | - | - | - | - | - | - |
| Total 1/ | 1,181.83 | 723.23 | 10.30 | 175.00 | 15.00 | 20.00 | 65.00 | 45.00 | 65.60 | 62.70 |

1/ Totals may not equal sums of items because of rounding.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Following is a summary of the main activities of the Bank during the fiscal year April 1, 1961 to March 31, 1962.

### Lending Operations

During the fiscal year 1961-62, the Bank made 33 loans in 23 member countries (or their territories with the members' guarantee) totalling the equivalent of U.S.$893.2 million (Table I). Bank loans during 1960-61 totalled the equivalent of U.S.$484.6 million and in 1959-60, U.S.$743.4 million. Private banks and other investors participated directly in 24 of the year's loans in amounts aggregating $35.7 million, in all cases without the Bank's guarantee. As of March 31, 1962, the gross total of all Bank loans amounted to the equivalent of U.S.$6,454.4 million of which $4,683.0 million had been disbursed. Taking into account cancellations and exchange adjustments (129.2 million), repayments ($516.9 million) and sales of loans ($1,247.2 million), the amount of loans held by the Bank on March 31, 1962 amounted to $4,561.1 million.

### Lending Resources

The Bank's two main sources of funds for lending purposes are (1) the capital subscriptions of its members and (2) the sale of its own bonds and other borrowings in the principal financial markets of the world. The first source is limited to the equivalent of 1% of each subscription, payable in gold or U.S. dollars and freely useable in any Bank operation, and 9% of each subscription payable in the currency of the subscribing member and used for loans only with the member's consent; the remaining 90% of each subscription is subject to call only when required to meet obligations of the Bank. The uncalled subscription is in the nature of a guarantee against which the Bank is able to borrow funds.

a. Capital Subscriptions

Pursuant to the increase in the authorized capital of the Bank from $10 billion to $21 billion in September 1959, 67 members had doubled their subscriptions and 33 members had, by March 31, 1962, subscribed $1,539 million in addition to their 100% increase. This, together with subscriptions of new members, brought total subscribed capital to $20,485 million by March 31, 1962. By that date, the Bank had been able to use or allocate for lending the equivalent of approximately U.S.$1,688 million from subscribed capital paid in gold or dollars and from releases by Canada and other members of portions of their subscriptions paid in national currencies.

b. Bond and Note Issues

The Bank borrowed or arranged to borrow the equivalent of U.S.$307.6 million between April 1, 1961 and March 31, 1962, of which the equivalent of U.S.$176.6 million represented new funds and the remainder represented refinancing of matured or redeemed issues (Table II).

Five public offerings of Bank bonds were made in the period. Included was the first offering of its bonds on the Italian market in an amount of Lit. 15 billion (U.S.$24 million). Two public offerings of Sw F 100 million (U.S.$23.3 million) each were made on the Swiss market; and one of f50 million (U.S.$13.8 million) on the market in the Netherlands. The largest offering made during the twelve month period was a $100 million issue of 4-1/2% 20-year bonds floated on the United States market. The Bank sold issues privately in the amount of Sw F100 million (U.S.$23.3 million) to the Swiss Government and U.S.$100 million to institutional investors in 32 countries.

Outstanding funded debt of the Bank on March 31, 1962, amounted to the equivalent of U.S.$2,527.9 million, an increase of about U.S.$345.9 million since April 1, 1961. Contributing to the

increase in outstanding indebtedness was the DM 300 million (U.S.$75 million) and the U.S.$120 million drawn down by the Bank on borrowings arranged with the Deutsche Bundesbank in August 1960. (Details of this transaction, which in total amounted to the equivalent of U.S.$245 million are included in the section on Bonds and Notes in the report for the year 1960-61). Of the outstanding debt about U.S.$1,902.7 million was denominated in U.S. dollars, approximately $34.9 million in Canadian dollars and the remainder in Belgian francs, deutsche marks, Italian lire, Netherlands guilders, sterling and Swiss francs.

c. Sales of Bonds from the Bank's Portfolio

During the year ending March 31, 1962, the Bank sold or agreed to sell principal amounts of its outstanding loans amounting to the equivalent of U.S.$282 million. This compares with sales of U.S.$255 million in the year 1960-61 and U.S.$219 million in 1959-60. All sales during the period were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1962, aggregated U.S.$1,247.1 million, of which U.S.$499 million had been retired by the borrowers.

Earnings and Reserves

The net earnings of the Bank in the year ending March 31, 1962 amounted to U.S.$66.9 million compared to U.S.$62.9 million in 1960-61 and were placed in the Supplemental Reserve Against Losses on Loans and Guarantees. In addition, the Bank added U.S.$29.9 million (U.S.$28.4 million in 1960-61) to its Special Reserve during this period. On March 31, 1962, the Supplemental Reserve amounted to a total of U.S.$459.8 million and the Special Reserve to U.S.$216.3 million.

Annual Meeting

The sixteenth annual meeting of the Boards of Governors of the Bank and its affiliate, the International Development Association, was held in Vienna, Austria from September 18 to

September 22, 1961. The Governors reviewed the scope of the Bank's operations including its lending activities and its continuing programme of technical assistance during the past fiscal year. The meetings also provided an opportunity for a general exchange of views by the Governors on the whole range of problems connected with economic development.

## OTHER ACTIVITIES

### Technical Assistance

The rise in the Bank's rate of lending during the year was matched by a rapid growth of its technical assistance activities. In this field there were two major innovations: the establishment of a Development Advisory Service and an increase in assistance, both technical and financial, in the preparation of studies of development projects and sector programmes which appear likely to offer a basis for eventual financing by the Bank or IDA. Furthermore, all the Bank's technical assistance activities, including the Development Advisory Service and the Economic Development Institute, were integrated into the new Development Services Department.

The Development Advisory Service is designed to establish a corps of experts, employed on a career basis, to give economic and financial advice to governments of the less developed member countries, particularly in the preparation and execution of development programmes. In recent years, the Bank has received an increasing number of requests for technical assistance, particularly for resident advisers on major policy problems. The Bank has had difficulty in meeting these requests from its own staff, and qualified outside experts are frequently available only for periods too short for their efforts to be effective. The members of the new Service will be available for assignment to such positions as chief or senior economist of a general survey mission; resident economic or financial adviser to a government; number of, or adviser to, a planning office; administrator, or adviser to the administrator, of a development program; or adviser on current economic and financial problems.

Concerning the second innovation relating to the preparation of development projects and sector programmes, the Bank not only helps its members to find qualified consultants to do this work but is prepared, in appropriate cases, to facilitate and accelerate the execution of such studies by organizing them an paying for part of their cost. Project studies are directed to individual projects which, while appearing to be of high economic priority, are not being carried forward (or not being carried forward properly) by the government concerned. For example, the Bank recently agreed to participate in the financing of studies of the water supply system in the Greater Manila area of the Philippines, and in the reorganization and reconstruction of the port at Port-au-Prince, Haiti. Sector studies are directed to analyses of an entire sector of the economy with a view to preparing a coordinated programme for the sector, identifying priority projects and bringing them to the point of readiness for financing.

The Bank's regular technical assistance activities continued during the year. The Economic Development Institute held its seventh course; to date the Institute has been attended by 143 officials from 50 member countries. In the summer of 1962 the Institute will hold a special course designed particularly for officials from French-speaking countries. The General Training Programme for junior career officials is now in its 12th year and 111 persons from 58 countries have participated in it.

The Bank continued its assistance to member countries through general survey missions. The report of the Venezuelan mission was published in May 1961. Missions were sent to Uganda and Kenya; the Uganda report was scheduled for publication in April 1962, and the Kenya report was in preparation at the end of March.

A number of other technical assistance projects undertaken by the Bank during the year merit special mention. The Bank agreed to assist the Philippines in the initial stages of preparing its development programme by assigning a senior economist from the Bank's staff to Manila for a period of six months. Missions have been sent to Iran to appraise its Third Development Plan; to Colombia to appraise and advise on its development programme; and to Chile to consider and make recommendations concerning its Ten-Year Development Plan and the 1962 investment budget. The Bank has agreed to provide further assistance to Chile by making a study on means to expand the Chilean capital market. At the request of the Government the Bank has sent a mission of consulting engineers to Bolivia to formulate a programme to meet the immediate needs of the railways and to recommend steps for their long-term rehabilitation. At the request of the Government of Panama, the Bank has extended the assignment of a staff member who had been sent to that country to assist in the preparation of an investment programme, and it has agreed to provide an expert on land resettlement and agricultural development. Similarly, the Bank

has agreed to provide experts to serve as principal advisers to the Development Planning Office of Peru. At the request of the Government of Thailand, the Bank has agreed to provide and bear the cost of two advisory teams: one to assist the National Economic Development Board on national planning matters and the other to assist the North-East Committee on a programme of development for the North-Eastern region of the country. The Bank, in cooperation with the International Telecommunications Union, organized a mission to the five Central American countries and Panama to develop terms of reference for a study of the communications requirements of the region and of the possibilities for the development of an integrated system of telecommunications.

## Organizational Changes

In view of the rapidly developing responsibilities of the Bank and IDA in connection with the emergence of independent countries in Africa, the Bank took two measures directed to meet their needs. A Special Representative for Africa was appointed and a new Department of Operations for Africa was established. The Special Representative maintains liaison with governments in Africa and explains to them the purposes and operating methods of the Bank and its affiliated organizations, the IFC and IDA. In the fields of both investment and technical assistance he keeps the Bank informed about developments in African countries and recommends the approach to be taken by the Bank in dealing with them. The new Department will deal with financial and technical assistance for all the independent countries of Africa that are members of the Bank except the Republic of South Africa and the United Arab Republic. The Department of Operations for Europe will continue to handle matters relating to Australia, New Zealand and South Africa and the dependent territories of European countries in Africa and elsewhere. The Department of Asia and the Middle East will handle affairs relating to the U.A.R.

Consortia on Aid to India and to Pakistan

The Consortia of governments and institutions interested in development assistance to India and Pakistan met twice during the year. The meetings were attended by representatives of the Governments of Canada, France, the Federal Republic of Germany, Japan, the United Kingdom and the United States and by representatives of the World Bank and IDA.

At the first meeting of the Consortium on Aid to India held in June, the members undertook commitments totalling $2,225 million to help meet the external financial requirements of the first two years of India's Third Five-Year Plan (1961-66). At that time, Canada indicated that it would be prepared to commit over this two-year period Can$56 million, of which $36 million would be in the form of grants and $20 million in the form of loans. In addition, it would be providing wheat to India on a grant basis. At the second meeting held in January 1962 the Consortium reviewed the action taken by its members in fulfillment of the commitments indicated for the first year. The Consortium noted encouraging expansion of India's economy during the past year and the substantial progress made with the placing of new orders for programmes and projects in the Plan. The Consortium recognized, however, that further external assistance would be required in 1962/63, beyond that already committed, if the momentum of expansion was to be maintained, and agreed to meet again in May 1962.

At the meeting of the Pakistan Consortium in June 1961, the members undertook to make additional funds, amounting to $320 million, available during the second year of Pakistan's Second Five-Year Plan which began July 1961. Canada indicated commitments of Can$ 18 million of which $11.5 million would be in the form of grants under the Colombo Plan and $6.5 million

in the form of loans to finance purchases of capital equipment in Canada. At the meeting in January 1962, members of the Consortium agreed to commit an additional $625 million of aid to Pakistan to cover foreign exchange requirements during the second and third year of the Plan. Canada indicated additional commitments of Can$ 20 million consisting of $11.5 million in grants and $8.5 million in loans. Pakistan will also receive grants of wheat from Canada.

At the suggestion of other members of the Indian and Pakistan Consortia, the Bank has agreed to continue to seek to interest other nations in helping to finance India's and Pakistan's economic development.

## MEMBERSHIP

During the year Laos, New Zealand, Nepal, Cyprus and Liberia joined the Bank. The Dominican Republic was readmitted to membership and the Syrian Arab Republic resumed independent membership. There were thus 75 member countries on March 31, 1962.

## CANADIAN REPRESENTATION

The Hon. Donald Methuen Fleming, Minister of Finance, continued as Governor of the Bank and Mr. A.F.W. Plumptre, Assistant Deputy Minister, Department of Finance, as the Canadian Alternate Governor of the Bank. Mr. Louis Rasminsky, Governor of the Bank of Canada, continued during the year as Executive Director for Canada and Mr. L. D. Hudon replaced Mr. C. L. Read as his Alternate.

TABLE I

IBRD - LOANS

(April 1, 1961 through March 31, 1962)

| r ry | Principal Amount (in millions of US dollars) | Date of Loan Agreement | Term | Interest Rate * | Purpose |
|---|---|---|---|---|---|
| tina | $ 48.50 | June 30, 1961 | 16 Yrs. | 5-3/4% | Highways |
| tina | 95.00 | Jan. 19, 1962 | 25 Yrs. | 5-3/4% | Power |
| alia | 100.00 | Jan. 23, 1962 | 25 Yrs. | 5-3/4% | Power |
| sh Guiana | 1.25 | June 23, 1961 | 8 Yrs. | 5-3/4% | Agriculture |
| n | 15.00 | June 6, 1961 | 25 Yrs. | 5-3/4% | Power |
| | 6.00 | June 28, 1961 | 9 Yrs. | 5-3/4% | Highways |
| bia | 22.00 | May 12, 1961 | 25 Yrs. | 5-3/4% | Power |
| bia | 19.50 | Aug. 28, 1961 | 15 Yrs. | 5-3/4% | Highways |
| Rica | 3.00 | Sept. 6, 1961 | 12 Yrs. | 5-3/4% | Agri.& Industry |
| Rica | 5.50 | Oct. 13, 1961 | 15 Yrs. | 5-3/4% | Highways |
| pia | 2.00 | Nov. 22, 1961 | 10-14 Yrs. | *** | Private Industry |
| nd | 25.00 | Aug. 9, 1961 | 15 Yrs. | 5-3/4% | Industry |
| | 47.00 | Feb. 8, 1962 | 25 Yrs. | 5-3/4% | Power |
| nd | 2.00 | Feb. 14, 1962 | 18 Yrs. | 5-3/4% | Water Supply |
| | 35.00 | Aug. 9, 1961 | 15 Yrs. | 5-3/4% | Coal Industry |
| | 21.00 | Aug. 17, 1961 | 25 Yrs. | 5-3/4% | Port |
| | 50.00 | Oct. 13, 1961 | 20 Yrs. | 5-3/4% | Railways |
| | 19.50 | Dec. 22, 1961 | 12 Yrs. | 5-3/4% | Coal Industry |
| | 20.00 | Feb. 28, 1962 | ** | *** | Private Industry |
| l | 25.00 | July 11, 1961 | 15 Yrs. | 5-3/4% | Industry |
| | 80.00 | May 2, 1961 | 20 Yrs. | 5-3/4% | Railways |
| | 40.00 | Nov. 29, 1961 | 23 Yrs. | 5-3/4% | Highways |
| | 8.40 | Nov. 29, 1961 | 20 Yrs. | *** | Agriculture |
| tan | 15.00 | June 27, 1961 | ** | *** | Industry |
| | 10.00 | Nov. 3, 1961 | 9 Yrs. | 5-3/4% | Highways |
| ppines | 8.50 | July 26, 1961 | 17 Yrs. | 5-3/4% | Ports |
| ppines | 34.00 | Oct. 13, 1961 | 25 Yrs. | 5-3/4% | Power |
| Africa | 11.00 | Dec. 1, 1961 | 10 Yrs. | 5-3/4% | Railways |
| Africa | 14.00 | Dec. 1, 1961 | 10 Yrs. | 5-3/4% | Power |
| | 19.50 | June 14, 1961 | 25 Yrs. | 5-3/4% | Agriculture |
| and | 22.00 | Apr. 28, 1961 | 20 Yrs. | 5-3/4% | Railways |
| dad & Tobago | 23.50 | Aug. 16, 1961 | 20 Yrs. | 5-3/4% | Power |
| uela | 45.00 | Dec. 13, 1961 | 20 Yrs. | 5-3/4% | Highways |
| tal | $893.15 | | | | |

Includes 1% commission charged on all Bank loans.

There is no fixed schedule of repayment. Each part of the loan committed for a particular project will be repaid by semi-annual installments according to a schedule to be determined at the time of the commitment.

There is no fixed interest rate. Interest will be applied to each portion of the loan at the Bank's current rate when such portion is committed for a particular project.

TABLE II

Bond and Note Issues Sold or Arranged to be Sold
During the Period April 1, 1961 to March 31, 1962

| Issue and Maturity | Principal Amount in US$ Equivalent |
|---|---|
| **Payable in U.S. Dollars** | |
| 4% Two-Year Bonds of 1961, due 1963 | $ 100,000,000 (a) |
| 4½% Twenty-Year Bonds of 1962, due 1982 | 100,000,000 (b) |
| **Payable in Italian Lire** | |
| 5% Bonds of 1961, due 1976 (Lit. 15,000,000,000) | 24,000,000 |
| **Payable in Netherlands Guilders** | |
| 4½% Twenty-Year Bonds of 1961, due 1981 (f50,000,000) | 13,812,155 |
| **Payable in Swiss Francs (c)** | |
| 3-3/4% Loan of 1961, due 1966-68 (Sw F 100,000,000) | 23,269,343 |
| 4% Eleven-Year Bonds of 1962, due 1973 (Sw F 100,000,000) | 23,269,343 |
| 4% Eighteen-Year Bonds of 1961, due 1979 (Sw F 100,000,000) | 23,269,343 |

(a) The 4% Two-Year Bonds of 1961 refinanced a $100 million issue of 4-3/4% Two-Year Bonds that matured in September 1961.

(b) Of the 4½% Twenty-Year Bonds of 1962, $94.5 million was sold outright and $5.5 million was sold on a delayed delivery basis with final deliveries to be made on February 1, 1964.

(c) The Bank redeemed at par the Swiss franc 3½% Ten-Year Bonds of 1952 and the 3½% Twelve-Year Bonds of 1951 aggregating the equivalent of US$ 23,269,343 and paid at maturity a previous Swiss franc Loan equivalent to US$ 7,756,448.

# INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation began operations in July 1956, as an international financial institution with an authorized capital of U.S. $100 million. Of that total, $96.5 million had, by March 31, 1962, been subscribed by the governments of 62 member countries. Cyprus and Liberia, each with capital subscriptions of $83,000 and New Zealand with $923,000 joined the Corporation during the year. During the period under review, the Dominican Republic rejoined the Corporation; Indonesia withdrew from membership.

Following is a summary of the activities of the IFC during the period from April 1, 1961 to March 31, 1962.

## Investment Operations

IFC invests in enterprises which are predominantly industrial (manufacturing, processing, mining), either for the expansion or improvement of an existing enterprise, or the creation of a new one.

During the period under review the Corporation made 10 new investment commitments totalling $19.3 million (Table I). This compared with 12 investment commitments totalling $16 million in the previous year. As of March 31, 1962, IFC had authorized or completed 47 investments in 20 countries, commitments on which, net of expired or cancelled projects, totalled $61.1 million. As of March 31, 1962, sales to private investors amounted to $9.8 million and repayments to the Corporation $0.6 million. Thus, the total net investment commitments of the Corporation amounted to $50.7 million of which $20.6 million was undisbursed. New private participations in IFC investments during the year amounted to $1.1 million. The investments during 1961-62 were for the manufacture of electrical equipment, cement, automotive transmission and gears, petrochemicals, pre-mixed concrete, industrial financing, automotive electrical equipment and fertilizers.

During the year under review disbursements on investments were approximately $9.3 million; repayments of principal totalling $556,500 were made; and the net earnings of the Corporation amounted to approximately U.S. $2.6 million.

1961 Annual Meeting

The Board of Governors agreed to a resolution amending the Charter of the Corporation enabling IFC to make equity investments. With the right to invest in equity as well as make loans, IFC expects to be able to provide increasing flexibility in its financing and thus be in a better position to meet the varied needs of private enterprise in developing countries and to attract private investors to participate in those investments. The Corporation's established policy to neither exercise control over nor to participate in the management of any enterprise in which it invests, continues in force.

First Equity Investment

IFC completed its first investment in equity in February, 1962 when U.S. $3 million was placed in the leading manufacturing company of automotive electrical equipment in Spain (FEMSA). IFC's investment was in two parts: a loan of U.S. $2.5 million and the purchase of 30,000,000 pesetas (approximately U.S. $500,000) in common shares amounting to approximately 13% of the company's share capital. Its loan was expressed in United States Dollars and its equity investment in FEMSA's capital shares was denominated in pesetas. IFC loans are made and repaid in U.S. dollars; its investments are denominated in the currency of the country where the project is located.

Management Changes

The following changes in the management of the Corporation came into effect during the year. Mr. Martin M. Rosen assumed the new post of Executive Vice-President of IFC on June 1, 1961; he was formerly Director of Operations for the Far East in the World

Bank. Mr. Robert L. Garner retired from the position of President of the Corporation on October 15, 1961, and Mr. Eugene R. Black, President of the World Bank since 1949, assumed the additional post of President of IFC.

Industrial Development Bank Services Department

This new Department, established in January 1962, will be responsible for planning financial and technical assistance to help in establishing or expanding privately owned and managed industrial development banks. In this field, IFC will now act not only on its own behalf, but will act also on behalf of the World Bank and the International Development Association. IFC's initiative may lead to an IFC investment in a development bank, to World Bank loans or IDA credits for a development bank, or to a combination of these.

New Advisers to IFC

In February 1962, the President of IFC announced that five prominent investment bankers had agreed to serve as advisers to IFC: Hermann J. Abs, Director, Deutsche Bank A.G., Frankfurt; The Viscount Harcourt, Managing Director, Morgan Grenfell & Company, of London; Andre Meyer, Senior Partner, Lazard Freres & Company, New York; Baron Guy de Rothschild, a partner in de Rothschild Freres of Paris; and George D. Woods, Chairman of the Board of Directors of The First Boston Corporation, of New York. In addition to meeting periodically with the President and other officers of the Corporation to review its investments and investment policies, these advisers are individually available for consultation on specific investment opportunities or problems. They are serving without compensation.

Canadian Representation

Canada's representatives on the Board of Governors and the Board of Directors of the International Bank for Reconstruction and Development during the period under review served ex officio on the Board of the International Finance Corporation.

## TABLE I

### New Investments

April 1, 1961 - March 31, 1962

| Date | | Country | Type of Business | Amount (U.S.$ Equivalent) |
|---|---|---|---|---|
| 1961 | May | Jamaica | Jamaica Pre-Mix, Ltd. (Pre-mixed concrete) | $ 224,000 |
| | June | Colombia | Electromanufacturas, S.A. (Electrical equipment) | 500,000 |
| | June | Argentina | Fabrica Argentina de Engranajes, S.A.I.C. (Automotive transmissions and gears) | 1,500,000 |
| | August | Argentina | Pasa, Petroquimica Argentina, S.A.I.C. (Petrochemical) | 3,050,000 |
| | August | Colombia | Corporacion Financiera Colombiana de Desarrollo Industrial (Industrial financing) | 2,000,000 |
| | August | Colombia | Corporacion Financiera Nacional (Industrial financing) | 2,000,000 |
| | September | Peru | Cemento Andino, S.A. (Cement) | 2,400,000 |
| | September | Pakistan | Ismail Cement Industries, Ltd. (Cement) | 4,000,000* |
| 1962 | February | Spain | Fabrica Espanola Magnetos, S.A. (Automotive electrical equipment) | 3,000,000** |
| | March | Greece | Aevol Industrial Company Organic Fertilizers, S.A. (Fertilizers) | 600,000 |
| | | | Total | $19,274,000 |

* Of this amount, participation through IFC is:
Bank of America National Trust and Savings Association . . . . . . . . . $ 172,000

** Of this amount, participation through IFC is:
Bankers International Financing Company, Inc . . 300,000

## INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association was established as an affiliate of the International Bank for Reconstruction and Development on September 24, 1960 and began operations in November of that year. Its purpose is to promote economic development by providing financial assistance to member countries on terms which are more flexible and bear less heavily on the balance of payments of the recipient countries than those of conventional loans. IDA's Board of Governors and Executive Directors are the same as the Bank's and they serve *ex officio* on the Board of IDA. The President of the Bank is *ex officio* President of IDA and the officers and staff of the Bank also serve IDA without additional compensation.

Following is a summary of IDA's main activities during the year April 1, 1961 through March 31, 1962.

### Credit Operations

IDA's first development credit was one of $9 million extended to Honduras in May 1961 to assist in carrying out a program of highway development and maintenance. By March 31, 1962, IDA had extended 20 credits in 11 member countries or territories aggregating the equivalent of U.S. $202.1 million (Table I).

All of the credits have been for a term of 50 years, free of interest. In all cases repayment is to start after a ten-year period of grace. Thereafter, repayment will be at the rate of 1% per annum for the first 10 years and 3% per annum for the final 30 years. A service charge on amounts withdrawn and outstanding will be made to meet IDA's administrative costs; at present this service charge is ¾ of 1%. All of the credits have been extended directly to governments. In cases where the project is not being executed by the government itself but rather by another public or private agency, the proceeds have been relent to the ultimate beneficiary on more conventional terms. The President of the Bank remarked in his

address to the Board of Governors at the Annual Meeting in Vienna in September 1961 that "This pattern . . . effectively meets the organization's objective . . . However, IDA's charter allows considerable flexibility in setting terms and we are not committed to any uniform pattern for IDA financing".

There is a large group of countries in which IDA is prepared to operate whose burden of foreign debt service is so high that while they can borrow on conventional terms some of the external capital which they require to carry out their priority programs, they cannot prudently borrow the whole of it. In these circumstances the Bank is prepared to make loans and IDA to extend credits at one and the same time. This was the case in transactions in the Sudan, Chile, Colombia and Costa Rica, where Bank loans and IDA credits were made simultaneously and for the same purpose.

Membership and Financial Resources

The Articles of Agreement of IDA provided for initial subscriptions aggregating the equivalent of U.S. $1,000 million if all the members of the Bank became original members of the Association. The initial subscription of each original member was proportionate to that member's subscription to the capital stock of the Bank. Countries eligible for membership were divided into two groups: the more industrialized members of the Bank (Part I Countries then numbering 17) whose entire subscription was to be paid over five years in gold or freely convertible currencies and the less developed countries (Part II Countries) which were to pay only 10% of their subscriptions in this form, the remainder being payable in their national currencies. During the year under review the following 20 countries accepted membership in IDA: Ethiopia, Mexico, Guatemala, Korea, Iceland, Haiti, Colombia, Bolivia, Ceylon, Austria, Costa Rica, Netherlands, Libya, Peru, Panama, Ecuador, Nigeria, Greece, Cyprus and Liberia. By March 31, 1962, 59 countries had accepted membership in IDA, 15 as Part I members and 44 as Part II members.

ubscriptions amounted to the equivalent of U.S. $916 million ncluding $757 million which IDA may convert as needed for its perations. IDA had received payments of $385 million on these ubscriptions, including $323 million in convertible form. Further ayments on initial subscriptions are to be made annually over the ext three years.

TABLE I

IDA CREDITS

April 1, 1961 through March 31, 1962

| ountry | Principal Amount (in millions US dollars) | Date of Credit Agreement | Purpose |
|---|---|---|---|
| hile | $ 19.00 | June 28, 1961 | Highways |
| hina | 2.20 | Aug. 30, 1961 | Harbour Dredging |
| hina | 3.70 | Aug. 30, 1961 | Irrigation |
| hina | 4.40 | Sept. 6, 1961 | Water Supply |
| hina | 5.00 | Dec. 1, 1961 | Private Industry |
| olombia | 19.50 | Aug. 28, 1961 | Highways |
| osta Rica | 5.50 | Oct. 13, 1961 | Highways |
| onduras | 9.00 | May 12, 1961 | Highways |
| ndia | 60.00 | June 21, 1961 | Highways |
| ndia | 6.00 | Sept. 6, 1961 | Irrigation |
| ndia | 4.50 | Nov. 22, 1961 | Irrigation |
| ndia | 8.00 | Nov. 22, 1961 | Irrigation |
| ndia | 10.00 | Nov. 22, 1961 | Food Protection and Drainage |
| ndia | 18.50 | Feb. 14, 1962 | Electric power |
| ordan | 2.00 | Dec. 22, 1961 | Water supply |
| akistan | 1.00 | Oct. 19, 1961 | Irrigation |
| akistan | 2.00 | Nov. 22, 1961 | Inland Ports |
| araguay | 6.00 | Oct. 26, 1961 | Highways |
| udan | 13.00 | June 14, 1961 | Irrigation |
| waziland | 2.80 | Mar. 14, 1962 | Highways |
| Total | $202.10 | | |

# REPORT ON

# OPERATIONS UNDER THE

# BRETTON WOODS AGREEMENTS ACT

# AND

# INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

# DURING THE

# FISCAL YEAR 1962-63

To His Excellency,

Major-General Georges P. Vanier, D.S.C., M.C., C.D.,

Governor-General of Canada.

May it please your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreements Act and International Development Association Act during the fiscal year 1962-63.

All of which is respectfully submitted.

Walter L. Gordon

Minister of Finance.

Ottawa,

## Introductory Note

The present report contains a summary of the operations of the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association during the period April 1, 1962 through March 31, 1963. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions, other than the IDA, is contained in the report on operations during the fiscal year 1958-59. A similar description for IDA was contained in the 1960-61 report.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Monetary Fund and the International Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The Agreement by which the International Development Association was established came into force in September 1960. Canadian participation in the Association, which is an affiliate of the International Bank, was authorized by the International Development Association Act, 1960.

The four organizations are closely linked in membership and general fields of endeavour. Membership in the International Monetary Fund is a prerequisite for membership in the International Bank for Reconstruction and Development, and membership in the International Bank is a prerequisite for membership in the International Finance Corporation and the International Development Association. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C.

Dollar figures throughout the report are expressed in terms of U.S. dollars.

## INTERNATIONAL MONETARY FUND

Per Jacobsson, Managing Director of the Fund and Chairman of the Executive Board since November 21, 1956, died on May 5, 1963. The Executive Board unanimously adopted the following resolution:

> "The Executive Directors of the International Monetary Fund, having heard with profound sorrow of the death of Mr. Per Jacobsson, Managing Director and Chairman of the Executive Directors, hereby resolve to place on record their sense of loss, which the world will share, at the passing of this good friend and outstanding leader, and their gratitude for the enormous contribution that he has made to the work of the Fund, to the welfare and advancement of many of its members, and to the cause of international collaboration."

### 1962 Annual Meeting

The Board of Governors, under the Chairmanship of the Governor for Saudi Arabia, Ahmed Zaki Saad, held its Seventeenth Annual Meeting in Washington, D.C., from September 17 through September 21, 1962. The Governors heard the Managing Director's presentation of the Annual Report, discussed the policies and activities of the Fund, and exchanged views on international economic developments and the problems of the developing countries. Particular attention was given to the Fund's "General Arrangements to Borrow" and to the problem of compensatory financing of exports of primary exporting countries. In addition, the Ninth Regular Election of Executive Directors was held.

At the closing session, the Governor for Italy was elected Chairman for the ensuing year and the Governors for Peru and the Philippines were elected Vice-Chairmen. The Eighteenth Annual Meeting will be convened in Washington, D.C., on September 30, 1963.

### Canadian Representation

The Canadian Governor of the Fund since June 28, 1957, the Honourable Donald Methuen Fleming, Minister of Justice, was succeeded on May 2, 1963 by the Honourable Walter L. Gordon, Minister of Finance. Mr. Louis Rasminsky, Governor of the Bank of Canada, was appointed Alternate Governor on August 16, 1961.

At the ninth biennial election of Executive Directors in September, 1962, Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance, was elected Executive Director succeeding Mr. Rasminsky. Mr. L.D. Hudon is the Alternate Executive Director.

## Membership

During the year under review, 8 countries - Togo, Senegal, Somalia, Sierra Leone, Kuwait, Tanganyika, Jamaica and the Ivory Coast - joined the Fund bringing total membership at March 31, 1963 to 84. The Board of Governors approved applications for membership from Cameroon, the Central African Republic, Chad, the Congo (Brazzaville), Gabon, Guinea, Niger, Upper Volta and Dahomey. Applications for membership were pending from a further nine countries.

## Acceptance of the Obligations of Article VIII

The 1960-1961 Report to Parliament outlined the discussions leading up to the decision, early in 1961, of eleven countries to move away from the transitional provisions embodied in Article XIV of the Fund Agreement and formally accept the permanent obligations of Article VIII, thereby joining the ten Western Hemisphere countries, including Canada, which had already accepted these obligations. During the year under review, Austria, Jamaica and Kuwait1/ formally accepted the permanent obligations of Article VIII. These countries are required to avoid restrictions on current payments, multiple currency practices, and discriminatory practices and should they have to resort to such measures they would have to consult with the Fund and obtain prior approval. Under Article XIV, Fund member countries are able, as a transitional arrangement, to maintain and adapt exchange restrictions without obtaining prior approval from the Fund.

## General Arrangements to Borrow

The Fund's general arrangements to borrow became effective on October 24, 1962, with the adherence of eight of the ten

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1/ Effective April 5, 1963.

participating countries, having commitments of US $5,650 million. Under these arrangements which were described in last year's report, ten industrial members of the Fund will make available to the Fund supplementary resources up to the equivalent of $6 billion, if needed to forestall or cope with an impairment of the international monetary system. Formal adherences have been received from the Governments of Belgium, France, Italy, Japan, the Netherlands, the United Kingdom and the United States, and from the Deutsche Bundesbank (Germany) and Sveriges Riksbank (Sweden). Canada has not announced its formal adherence pending completion of the necessary legislative measures. The participants, together with the amounts which they would be prepared to lend, are shown in the following Table:

| Participants | Amount ($US millions equivalent) |
|---|---|
| Belgium | 150 |
| Canada | 200 |
| France | 550 |
| Deutsche Bundesbank (Germany) | 1,000 |
| Italy | 550 |
| Japan | 250 |
| Netherlands | 200 |
| Sveriges Riksbank (Sweden) | 100 |
| United Kingdom | 1,000 |
| United States | 2,000 |
| Total | 6,000 |

To date, it has not been necessary to make use of the resources available under these arrangements.

The Swiss Parliament is at present considering legislation which would permit that country to become associated with the General Arrangements to Borrow, even though Switzerland is not a member of the International Monetary Fund. It is proposed that Switzerland would undertake to give support, in an appropriate form, directly to any participant in the General Arrangements for whose benefit the Arrangements are activated, provided that the

participant has entered into a bilateral agreement for that purpose with Switzerland. The total of such support to all participants, outstanding at any one time, would not exceed the equivalent of $200 million.

Compensatory Financing of Export Fluctuations

During the year the Fund created a new facility designed to broaden its short-term balance of payments support of member countries, particularly those exporting primary products, which experience temporary declines in their export earnings due to circumstances largely beyond their control. These circumstances may be the result of price fluctuations related to cyclical conditions in the industrial countries or to a natural calamity or a particularly bad harvest. The new facility establishes a special credit tranche or drawing right, which would not normally exceed 25% of a member's quota, over and above a member's drawing rights under regular Fund policies. In unusual circumstances,however, the Fund will consider making more than 25% of quota available for compensatory financing and, where necessary, the Fund will be prepared to waive its rule that a member's total borrowing should not exceed 200% of quota. The new facility will be available to members provided that the Fund is satisfied that the export shortfall is of a short-term character largely attributable to circumstances beyond the country's control and also that the member country will cooperate, where necessary, with the Fund in an effort to find appropriate long-term solutions to its balance of payments difficulties. The Fund will also be prepared to consider selective quota increases, especially for some small quota countries whose present quota seems inadequate in the light of fluctuations in export proceeds and other relevant criteria.

Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programmes, often in conjuction with financial assistance from other sources.

Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit and within a specified period.

From the beginning of the Fund's operations to March 31, 1963, 48 members have made foreign exchange drawings equivalent to $6,820.4 million. During the year under review, there were drawings by 18 member countries amounting to the equivalent of $562.5 million compared to drawings of $2,427.0 million during the previous fiscal year.

Canada made the largest single drawing on the Fund during the year. It amounted to the equivalent of $300 million. The drawing was made in the following currencies: $100 million in pounds sterling, $80 million in deutsche marks, $80 million in French francs, $20 million in Belgian francs and $20 million in Netherlands guilders. At the time of the drawing the Bank of Canada and the Federal Reserve System entered into a reciprocal currency arrangement in the amount of $250 million and the equivalent in Canadian dollars. A credit equivalent to $100 million was provided by the Bank of England. In addition, the Export-Import Bank of Washington arranged a $400 million line of credit. This assistance was provided to reinforce a programme

relating to the fiscal and balance of payments position which the Canadian Government was taking in defense of the stability and convertibility of the Canadian dollar.

Of the total purchases made during 1962-1963, $143.1 million or 25.4 per cent was in U.S. dollars compared to $815 million or 34 per cent in 1961-62; the equivalent of $100.8 million was in deutsche marks, $90 million in French francs, $5 million in Italian lire, $30 million in Netherlands guilders, $158.6 million in pounds sterling, $20 million in Belgian francs, $7.5 million in Austrian schillings, and $7.5 million in Spanish pesetas (Table I). During the year, $319.9 million was purchased in accordance with arrangements for immediate drawings and $242.6 million was drawn by 15 members in accordance with existing stand-by arrangements (Table II). The amounts not drawn but available under stand-by arrangements at March 31, 1963, totalled $1,312.3 million.

Purchases beyond 25 per cent of a member's quota in any 12-month period require a waiver. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review (except in the case of Turkey); waivers were also granted in connection with all immediate drawings, except in the case of Afghanistan.

The revised schedule of Fund charges on purchases which has been in effect since January 1, 1954 was extended by the Executive Board until April 30, 1963.

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. Repurchases amounting to $856 million were made by 23 members

between April 1, 1962 and March 31, 1963 (Table III). From the beginning of the Fund's operations to March 31, 1963, re- purchases totalled $4,872 million.

On March 31, 1963, the Fund's holdings of member currencies (including non-negotiable, non-interest-bearing notes) were equivalent to $11,598 million of which $3,015 million was in U.S. dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement at March 31, 1963, amounted to the equivalent of $9,831 million of which $3,026 million was in gold. On that date the largest holding of a convertible currency other than U.S. dollars was in pounds sterling and was equivalent to $1,448 million. The Fund's holdings of Canadian dollars at the end of March 1963, amounted to 125 per cent of Canada's quota of $550 million.

Exchange Restrictions

The Thirteenth Annual Report on Exchange Restrictions published in May 1962 surveyed the developments in exchange restrictions throughout the world during 1961 and the first three months of 1962 and described the main features of the exchange system of all Fund members, 6 non-metropolitan territories, and 3 other countries, one of which (Tanganyika) subsequently became a member.

The Report noted that convertibility of the leading currencies was maintained in spite of the pressures to which they were subjected in the world's foreign exchange markets. There was a further liberalization of imports and import payments and of payments for invisibles and capital during the year, although there were exceptions among the raw material producing countries. Reliance on the use of multiple currency practices and on bilateral payments arrangements, particularly those between Fund member

countries, continued to decline. The Report reviewed the use of advance deposit requirements as a prerequisite to obtaining import or exchange licenses, developments in payments of a capital nature, and changes in the treatment of capital transactions in various countries, and briefly outlined the regional agreements in force among groups of Fund members.

Consultations in 1962

Members of the Fund which continue to maintain exchange restrictions under Article XIV of the Fund Agreement are required to consult the Fund annually concerning such restrictions. The eleventh series of consultations began in March 1962. During the period under review these consultations have been held or are in process with 52 member countries and have continued to provide opportunities for examining the economic and financial problems which have given rise to restrictive and discriminatory practices, and the Fund has continued its endeavours to help in their elimination. Moreover, in pursuance of the decision of the Fund's Executive Board on Article VIII, which noted that there was great merit in having periodic discussions between the Fund and those of its members which no longer avail themselves of the transitional arrangements of Article XIV, discussions took place or are in process with 17 countries that have accepted the full obligations of Article VIII of the Fund Agreement. These discussions have provided the opportunity for exchange of views on monetary and financial developments and have furthered the purpose of having the Fund provide the machinery for consultation and collaboration on international monetary problems. In connection with nearly all of these consultations and discussions, Fund missions have visited the member countries concerned. Consultations between the Fund staff and Canadian representatives were held in Ottawa during December 1962.

Par Values

The Fund concurred in a proposal by the Government of Finland for the introduction of a new markka with a par value of mk 3.20 per U.S. dollar, in place of the old markka with a par value of mk 320 per U.S. dollar, effective January 1, 1963. On May 2, 1963, the Fund concurred in the proposal of the Canadian Government to change the par value of the Canadian dollar to Can $1.08108 per U.S. dollar; the previous par value which Canada had established on September 19, 1949, was Can. $1.10 per U.S. dollar, but since September 30, 1950, the Canadian dollar had been allowed to fluctuate. Initial par values of the currencies of Afghanistan, Cyprus, Jamaica, Liberia, Malaya and Portugal were established by agreement between the Fund and the respective governments. Initial par values have now been agreed between the Fund and all but 16 of its members.

Gold Transaction Services

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended to include five international organizations and several non-member countries[1/]

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1/ These countries, with one exception, have since become members of the Fund.

among those who are permitted to use it.

Since March 1952, the central banks of 25 member countries and five international organizations have effected purchases and sales of gold through the facilities provided by this service.

During the period under review no transactions were completed by the Fund. Since the Fund's gold transaction service was authorized in March 1952, transactions equivalent to $1,083 million have been completed.

Gold Subsidies

Australia consulted the Fund on two occasions with regard to its gold subsidy programme; the first relating to the extension of its present system of gold subsidies for a period of three years from June 30, 1962; and, the second relating to the granting of development assistance to those gold mines which were not eligible to receive a subsidy under existing legislation. The Fund deemed both proposals to be consistent with the objectives of the Fund's statement on gold subsidies of December 11, 1947.

The Philippines consulted the Fund with regard to amendments to its gold subsidy programme. On the basis of the assurance given by the Philippines to adopt, when necessary, appropriate measures after consultation with the Fund, the Fund deemed the existing subsidy arrangements not to be inconsistent with the objectives of the Fund statement on gold subsidies of December 11, 1947.

Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has close contacts with the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), and the Bank for International Settlements (BIS). Close liaison

has been maintained with the United Nations and its various regional and technical bodies. These contacts include direct working relationships with their staffs, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. Fund representatives attended meetings of the General Assembly, the Economic and Social Council and its Commissions and Committees, the Special Fund, the Preparatory Committee for the UN Conference on Trade and Development, the International Coffee Conference, and other bodies working on problems in which the Fund has a concern. It has also taken an active part in meetings of the Administrative Committee on Coordination and its subordinate and related bodies.

Staff members have participated in meetings of the Food and Agriculture Organization Committee on Commodity Problems and the UN Commission on International Commodity Trade.

Reflecting its interest in economic development, the Fund sent representatives to the Conference on Economic Development Problems in Cairo, the Symposium on Economic Development in Nyasaland, and to the Conference on Inflation and Growth in Rio de Janeiro. Fund representatives also attended the first annual meetings of the Organization of American States' Inter-American Economic and Social Council at the Expert and Ministerial Levels, the third annual meeting of the Board of Governors of the Inter-American Development Bank, the second meeting of Governors of the Central American Bank for Economic Integration, as well as the 7th operational meeting of the Latin American Center for Monetary Studies.

Fund missions have again attended sessions and other meetings of the CONTRACTING PARTIES to the GATT in Geneva during the period under review. The CONTRACTING PARTIES consulted the

Fund in connection with their regular consultations with individual governments on import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions or exchange rates were involved. The Fund transmits by arrangement with the CONTRACTING PARTIES the decisions resulting from its own Article XIV consultations with the various governments consulting under the balance of payments provisions of the GATT, together with background material relating to such countries, and Fund missions cooperate with the committee conducting the GATT consultations. Similar arrangements have been made in relation to the Fund's consultations under Article VIII with countries that are members of both the Fund and the GATT.

Cooperation with Members, Including Technical Assistance

In addition to exchanging views in the course of the consultations under Articles VIII and XIV, the Fund has continued to give advice and assistance in specific technical fields as requested by member governments, countries that have applied for membership, and territories envisaging future membership. Matters on which the Fund has cooperated with its members and prospective members in this way include stabilization programmes, exchange rate and exchange control policies and practices, fiscal systems in relation to exchange policy, central banking and commercial banking legislation, and compilation of financial statistics. In some cases the Fund has lent its good offices to countries in recruiting foreign technicians to help solve problems of this kind.

In October 1962, the staff held a series of discussions in Washington with a small group of balance of payments experts from the countries that participated in the General Arrangements

to Borrow, Switzerland, and the OECD, to discuss problems of recording movements of private capital, mainly of a short-term character, and concepts of balance of payments surplus or deficit. In response to a suggestion that similar meetings be held regularly to provide the opportunity for bilateral discussions, the group met again in Paris in March 1963.

During 1962-63, members of the staff visited 76 countries for purposes of consultations, technical assistance, or the informal exchange of views and information. Periods of assignment ranged from a couple of weeks to more than a year. Staff members were made available on long-term assignments to 10 countries.

Visits to member countries by the Managing Director and the Deputy Managing Director also provided valuable opportunities for the exchange of views. Members of the Executive Board play an essential role in keeping the Fund informed of current trends in the countries they represent, and visits to Washington by officials from member countries, which are frequently made when some special matter is under consideration, also help to ensure that the Fund functions as a genuinely cooperative international organization.

Training Programme

In 1962 the Fund expanded its formal Training Programme from 25 to 50 participants a year. The Programme, which now runs for a 5-month period, has continued to focus on the Fund's role and operations in assisting member governments to maintain satisfactory foreign exchange policies in the face of changing circumstances in international trade and capital markets. Supplementary financial and statistical studies are offered to improve the ability of participants in the Programme to analyze

economic conditions as a basis for arriving at practical policy recommendations.

The 50 participants from 41 member countries who are attending the Training Programmes for the academic year 1962-63 bring the total of those who have participated in similar Programmes over the past twelve years to 288 from 70 countries.

Organization

Frank A. Southard, Jr., formerly Executive Director of the Fund for the United States, was appointed Deputy Managing Director of the Fund for a five-year term, beginning November 1, 1962. He succeeded H. Merle Cochran, who retired after serving as Deputy Managing Director of the Fund since March 16, 1953.

Publications

In September 1962, the Fund published Selected Decisions of the Executive Directors, a collection of general decisions relating to certain obligations, policies, and procedures under the Articles of Agreement to which frequent reference is made. Another special publication was The Fund Agreement in the Courts, by Joseph Gold, the General Counsel of the Fund. This volume discusses a number of cases in which the Fund Agreement had a bearing on the issues before the courts; its contents appeared originally as a series of articles in Staff Papers. The Report, Compensatory Financing of Export Fluctuations is described on page 3. Regular publications issued, in addition to the Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1962 (Seventeenth Annual Report) and the Thirteenth Annual Report on Exchange Restrictions, were:

Summary Proceedings of the Seventeenth Annual Meeting of Governors

By-Laws and Rules and Regulations, 22nd Issue

International Financial Statistics (monthly)

<u>International Financial News Survey</u> (weekly)

<u>Schedule of Par Values</u>, 34th and 35th Issues

<u>Staff Papers</u>, Vol IX, Nos. 2 and 3; Vol X, No. 1

<u>Balance of Payments Yearbook</u>, Vol. 14

<u>Direction of International Trade</u> (in conjunction with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations)

TABLE I

Drawings on the Fund by Currency

April 1, 1962 - March 31, 1963

(millions of U.S. dollars equivalent)

| Member Drawing | Total 1/ | Austrian Schillings | Belgian Francs | French Francs | Deutsche Marks | Italian Lire | Netherlands Guilders | Spanish Pesetas | Pounds Sterling | United States Dollars |
|---|---|---|---|---|---|---|---|---|---|---|
| Afghanistan | 5.63 | | | | | | | | | 5.63 |
| Argentina | 50.00 | | | 10.00 | 10.00 | | 10.00 | | 10.00 | 10.00 |
| Bolivia | 5.00 | | | | | | | | | 5.00 |
| Canada | 300.00 | | 20.00 | 80.00 | 80.00 | | 20.00 | | 100.00 | |
| Chile | 17.50 | | | | | | | | | 17.50 |
| Colombia | 35.00 | | | | | | | 7.50 | | 27.50 |
| Costa Rica | 8.50 | | | | | | | | | 8.50 |
| Ecuador | 3.00 | | | | | | | | | 3.00 |
| Ghana | 14.25 | | | | | | | | 7.13 | 7.13 |
| Guatemala | 2.00 | | | | | | | | | 2.00 |
| Haiti | 3.75 | | | | | | | | | 3.75 |
| Honduras | 3.75 | | | | | | | | | 3.75 |
| India | 25.00 | | | | | | | | 25.00 | |
| Nicaragua | 4.50 | | | | | | | | | 4.50 |
| Syria | 5.60 | | | | | | | | 5.60 | |
| Turkey | 21.50 | 7.50 | | | | | | | | 14.00 |
| United Arab Rep. | 42.50 | | | | 10.83 | 5.00 | | | 10.83 | 15.83 |
| Uruguay | 15.00 | | | | | | | | | 15.00 |
| Total 1/ | 562.47 | 7.50 | 20.00 | 90.00 | 100.83 | 5.00 | 30.00 | 7.50 | 158.56 | 143.08 |

1/ Totals may not equal sums of items because of rounding

## TABLE II

Stand-By Arrangements in Force: April 1, 1962 - March 31, 1963
(millions of U.S. dollars)

| r | Date of Arrangement | Date of Expiration | Amount | Amount Purchased April 1, 1962-March 31,1963 | Total Amount Purchased Under Stand-By | Amount Available March 31,1963 |
|---|---|---|---|---|---|---|
| ina | Dec. 12, 1961 | Dec. 11, 1962 1/ | 100.00 | -- | -- | -- |
| | June 7, 1962 | Oct. 6, 1963 2/ | 100.00 | 50.00 | 50.00 | 50.00 |
| a | July 27, 1961 | July 26, 1962 | 7.50 | -- | 2.00 | -- |
| | Aug. 8, 1962 | Aug. 7, 1963 | 10.00 | 5.00 | 5.00 | 5.00 |
| | May 18, 1961 | May 17, 1962 | 160.00 | -- | 60.00 | -- |
| | Jan. 15, 1963 | Jan. 14, 1964 | 40.00 | 17.50 | 17.50 | 22.50 |
| ia | Jan. 1, 1962 | Dec. 31, 1962 | 10.00 | 7.50 | 7.50 | -- |
| | Jan. 14, 1963 | Jan. 13, 1964 | 52.50 | 27.50 | 27.50 | 25.00 |
| Rica | Oct. 4, 1961 | Oct. 3, 1962 | 15.00 | 2.50 | 10.00 | -- |
| | Dec. 24, 1962 | Dec. 23, 1963 | 11.60 | 6.00 | 6.00 | 5.60 |
| r | June 8, 1961 | June 7, 1962 | 10.00 | -- | 10.00 | -- |
| | June 8, 1962 | June 7, 1963 | 5.00 | 3.00 | 3.00 | 2.00 |
| vador | July 13, 1961 | July 12, 1962 | 11.25 | -- | 8.00 | -- |
| | Sept.13, 1962 | Sept.12, 1963 | 11.25 | -- | -- | 11.25 |
| ala | Aug. 14, 1961 | Aug. 13, 1962 | 15.00 | 2.00 | 5.00 | -- |
| | Oct. 1, 1961 | Sept.30, 1962 | 6.00 | 2.25 | 3.75 | -- |
| | Oct. 1, 1962 | Sept.30, 1963 | 6.00 | 1.50 | 1.50 | 5.00 3/ |
| as | May 1, 1961 | Apr. 30, 1962 | 7.50 | -- | 3.75 | -- |
| | June 29, 1962 | June 28, 1963 | 7.50 | 3.75 | 3.75 | 3.75 |
| d | Mar. 22, 1962 | Mar. 21, 1963 | 1.63 | -- | -- | -- |
| | July 9, 1962 | July 8, 1963 | 100.00 | 25.00 | 25.00 | 75.00 |
| sia | Aug. 16, 1961 | Aug. 15, 1962 | 41.25 | -- | 41.25 | -- |
| | Jan. 19, 1962 | Jan. 18, 1963 | 305.00 | -- | -- | -- |
| | July 13, 1961 | July 12, 1962 | 90.00 | -- | 45.00 | -- |
| gua | Mar. 1, 1963 | Feb. 29, 1964 | 11.25 | 4.50 | 4.50 | 6.75 |
| ay | Dec. 11, 1961 | Mar. 10, 1963 4/ | 5.00 | -- | -- | -- |
| | Mar. 1, 1962 | Feb. 28, 1963 | 30.00 | -- | -- | -- |
| | Mar. 1, 1963 | Feb. 29, 1964 | 30.00 | -- | -- | 30.00 |
| pines | Apr. 12, 1962 | Apr. 11, 1963 | 40.40 | -- | -- | 40.40 |
| a | July 6, 1961 | July 5, 1962 | 75.00 | -- | -- | -- |
| Arab | | | | | | |
| | Mar. 26, 1962 | Nov. 30, 1962 5/ | 6.60 | 5.60 | 5.60 | -- |
| | Mar. 30, 1962 | Dec. 31, 1962 | 31.00 | 15.00 | 15.00 | -- |
| | Feb. 15, 1963 | Dec. 31, 1963 | 21.50 | 6.50 | 6.50 | 15.00 |
| Arab | | | | | | |
| | May 7, 1962 | May 6, 1963 | 42.50 | 42.50 | 42.50 | -- |
| om | Aug. 8, 1961 | Aug. 7, 1962 | 500.00 | -- | -- | -- |
| | Aug. 8, 1962 | Aug. 7, 1963 | 1000.00 | -- | -- | 1000.00 |
| y | June 6, 1961 | June 5, 1962 | 30.00 | -- | -- | -- |
| | Oct. 4, 1962 | Oct. 3, 1963 | 30.00 | 15.00 | 15.00 | 15.00 |
| | | | | 242.60 | | 1312.25 |

1/ Cancelled by Argentina on May 16, 1962

2/ Extended from June 6, 1963

3/ Augmented by repurchase of $0.5 million

4/ Extended from December 10, 1962

5/ Extended from September 30, 1962

TABLE III

Repurchases: April 1, 1962 - March 31, 1963

(millions of U.S. dollars equivalent)

| Member Repurchasing | Total 1/ | United States Dollars | Belgian Francs | Canadian Dollars | French Francs | Deutsche Marks | Italian Lire | Netherlands Guilders | Swedish Kronor | Gold |
|---|---|---|---|---|---|---|---|---|---|---|
| Argentina 2/ | 36.00 | 11.76 | | | | | | | | 24.24 |
| Australia | 1.61 | | | | | | | | | 1.61 |
| Bolivia | 2.29 | 2.29 | | | | | | | | |
| Brazil | 17.50 | 17.50 | | | | | | | | |
| Chile | 12.70 | 12.51 | | | | | | | | 0.19 |
| Colombia | - 3/ | | | | | | | | | - 3/ |
| Costa Rica | 6.64 | 6.21 | | | | | | | | 0.43 |
| Ecuador | 6.15 | 2.94 | | | | | | | | 3.21 |
| El Salvador | 6.00 | 6.00 | | | | | | | | |
| Haiti | 2.15 | 2.15 | | | | | | | | |
| Honduras | 1.83 | 1.82 | | | | | | | | 0.01 |
| Iceland | 6.81 | 4.00 | | | | 2.81 | | | | |
| Iran | 20.44 | 6.88 | | | | 7.54 | 0.02 | 0.05 | 0.03 | 5.92 |
| Ireland | - 3/ | | | | | | | | | - 3/ |
| Luxembourg | 1.27 | 0.79 | | | | 0.01 | | | | 0.46 |
| Mexico | 45.00 | 38.18 | | | | | | | | 6.82 |
| Nicaragua | 4.50 | 4.48 | | | | | | | | 0.02 |
| Paraguay | 1.50 | 1.50 | | | | | | | | |
| Sudan | 2.92 | 2.92 | | | | | | | | |
| Turkey | 18.00 | 7.45 | | | | | | | | 10.55 |
| United Arab Rep. | 2.50 | 2.50 | | | | | | | | |
| United Kingdom | 652.00 | 342.00 | 30.00 | 40.00 | 50.00 | 125.00 | 25.00 | 25.00 | 15.00 | - |
| Yugoslavia | 7.90 | | | | | 7.90 | | | | |
| Total 1/ | 855.72 | 473.88 2/ | 30.00 | 40.00 | 50.00 | 143.26 | 25.02 | 25.05 | 15.03 | 53.47 2/ |

1/ Totals may not equal sums of items because of rounding

2/ In addition Argentina substituted gold equivalent to $21.91 million for U.S. dollars

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Lending Operations

During the fiscal year 1962-63, the Bank made 22 loans in 16 member countries (or their territories with the members' guarantee) totalling the equivalent of $439.6 million (Table 1). Bank loans during 1961-62 totalled the equivalent of $893.2 million and in 1960-61, $484.6 million. Private banks and other investors participated directly in 16 of the year's loans in amounts aggregating $13.4 million, in all cases without the Bank's guarantee. As of March 31, 1963, the gross total of all Bank loans amounted to the equivalent of $6,894.0 million of which $5,273.3 million had been disbursed. Taking into account cancellations and exchange adjustments ($149.2 million), repayments ($624.8 million) and sales of loans ($1,507.9 million), the amount of loans held by the Bank on March 31, 1963 amounted to $4,612.1 million.

Lending Resources

The Bank obtains its funds for lending operations from the capital subscriptions of its members, the sale of its own bonds and notes, the sale of portions of its loan portfolio and its net earnings.

a) Capital Subscriptions

The Bank's authorized capital is $21,000 million, of which $20,710 million had been subscribed by March 31, 1963. Of each subscription, 1% is payable in the form of gold or U.S. dollars and is freely useable by the Bank in any of its operations and 9% is payable in the national currency of the member and may be used only with the consent of the country concerned. The remaining 90% of each subscription is not available for lending. It is subject to call should the Bank ever need additional funds to meet its obligations. The uncalled subscription is in the nature of a guarantee against which the Bank is able to borrow funds.

By March 31, 1963, the Bank had been able to use or allocate for lending the equivalent of approximately $1,678 million from paid-in capital. Of Canada's total subscription of $750 million, $7.5 million has been paid in gold and U.S. dollars and the equivalent of $67.5 million has been paid in Canadian dollars. Canada has given the Bank permission to use this amount freely in its operations.

b) <u>Sale of Bonds and Note Issues</u>

The Bank obtained the equivalent of $121 million through the sale of its own bonds and notes between April 1, 1962 and March 31, 1963, of which the equivalent of $21 million represented new funds and the remainder represented refinancing of a matured issue (Table 11).

Two public offerings of Bank bonds were made in the period, including its first offering of U.S. dollar bonds in Austria in an amount of $5 million. The other offering consisted of guilders 40 million ($11.05 million) of 4-1/2% Twenty-Year Bonds sold in the Netherlands. The Bank sold privately $5 million of U.S. dollar notes to the Oesterreichische Nationalbank, the Central Bank of Austria, and $100 million of 3-3/4% Two-Year Bonds to institutional investors in 25 countries.

Outstanding funded debt of the Bank on March 31, 1963 amounted to the equivalent of $2,523.3 million, a decrease of about $4.6 million since April 1, 1962. Contributing to the decrease in outstanding debt was a reduction of $3.2 million in the valuation on the books of the Bank of its outstanding Canadian dollar bonds. This resulted from the change in the Canadian exchange rate in May 1962. Of the outstanding debt $1,902.2 million was denominated in U.S. dollars, $30.5 million in Canadian dollars and the remainder in Belgian francs, Deutsche marks, Italian lire, Netherlands guilders, pounds sterling and Swiss francs.

c) Sales of Bonds from the Bank's Portfolio

During the year ending March 31, 1963, the Bank sold or agreed to sell principal amounts of its outstanding loans amounting to the equivalent of $261 million. This compares with sales of $282 million in the year 1961-62 and $254 million in 1960-61. All sales were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1963, aggregated $1,507.9 million, of which $628 million had been retired by the borrowers.

d) Earnings and Reserves

The net earnings of the Bank in the year ending March 31, 1963 amounted to $79.6 million compared to $66.9 million in 1961-62 and were placed in the Supplemental Reserve Against Losses on Loans and Guarantees. In addition, the Bank added $30.8 million ($29.9 million in 1961-62) to its Special Reserve during this period. On March 31, 1963, the Supplemental Reserve amounted to a total of $536.5 million and the Special Reserve to $247.0 million.

Annual Meeting

The Seventeenth Annual Meeting of the Boards of Governors of the Bank and its affiliates, the International Development Association and the International Finance Corporation, was held in Washington, D.C. from September 17 to September 21, 1962. This was the last Annual Meeting to be attended by Mr. Eugene R. Black in his capacity as President. Mr. Black, who had been President of the Bank since July 1, 1949, retired on January 1, 1963. In his address to the Governors, Mr. Black called upon those countries giving development aid to make it available on softer terms and to channel a larger part of such aid through multilateral programmes. The Governors paid tribute to the great services rendered by Mr. Black during his term of office and by Sir William Iliff who also retired during the course of the year.

Management and Organization

Mr. George D. Woods succeeded Mr. Black as President of the Bank, the International Development Association and the International Finance Corporation on January 1, 1963. Prior to taking up his new appointment, Mr. Woods was Chairman of The First Boston Corporation. He had been closely associated with the operations of the Bank for more than a decade, and had played a prominent part, as an investment banker, in the distribution and sale of Bank bond issues. Sir William Iliff was succeeded as a Vice-President by Mr. Geoffrey M. Wilson.

In February 1963, the Bank established an Education Division in the Department of Technical Operations to appraise educational projects submitted to the Bank and the International Development Association for financing, and to help less-developed member countries to plan their educational investments along lines designed to further their economic development. The new Division will work in close liaison with international, governmental and private agencies interested in education.

OTHER ACTIVITIES

Technical Assistance

In the period under review, the Bank further extended its technical assistance to developing countries. The programme of project and sector studies was broadened. Under this programme, the Bank shares with developing countries the cost of preparing projects or programmes for submission to the Bank or IDA for possible financing. Many less-developed countries are often unable to undertake by themselves the preparatory work on such projects or programmes because they do not have sufficient experience or because they do not have sufficient trained personnel. Furthermore, the preparatory work may be expensive and involve the expenditure of a substantial amount of foreign exchange. The Bank normally agrees to pay the foreign

exchange cost of the preparatory work. Bank-financed project and sector studies undertaken during the year included a study of coal transport in India, a survey of the capital market in Chile, an investigation of a water supply project in Manila, a plan for the improvement and expansion of the road network in Northern Nigeria, surveys of transportation facilities in Ecuador and China (Taiwan), and the preparation of a national electrification plan for Ecuador.

A Bank-financed study of transportation facilities in Colombia, completed during the year, resulted in a 10-year plan for improvements in Colombian highways, railroads, inland waterways, seaports and airports. It recommended priorities for investments in specific projects for the period 1962-1966, and more generally for the following five years. The reports on the Peruvian Highway Study and the Bolivian Railway Study were transmitted to the governments concerned. Port studies in Haiti and Honduras were well under way.

The Bank continued to act during the year as Executing Agency for projects receiving financial assistance from the U.N. Special Fund. This work is carried out under Bank supervision by outside consultants chosen jointly by the Bank and the country concerned. Reports on the Niger Dam in Nigeria and on transportation problems in Argentina were completed during the year. Work is continuing on a number of pre-investment studies in British Guiana, Thailand, Guatemala, the Sudan, Colombia, and Brazil. The Bank has also agreed to act as Executing Agency for Special Fund projects in Gabon, Ceylon and Brazil.

The new Development Advisory Service, which was established last year for resident advisers to assist member governments on major policy problems of economic development, recruited 20 senior financial advisers and economists during the

year. Members of the Service are now working in Chile, Ghana, Guatemala, Nigeria, Pakistan, Syria and Thailand. In addition, a number of advisers from the Bank's own staff were in posts overseas.

The Bank's regular training programmes continued during the year. The Economic Development Institute held its eighth course; to date 167 officials from over 50 member countries have attended the Institute's courses. In the summer of 1962, the Institute held a course designed specially for officials from French-speaking countries. Preparations are under way for a similar course in Spanish. In addition, on April 1, 1963, the Institute began a special course on project evaluation. The General Training Programme for junior career officials is now in its 15th year and 130 persons from 62 member countries have participated in it.

To supplement the work of the Institute, the Bank has donated economic development libraries to central banks, finance ministries and planning agencies in less-developed member countries. Each of the libraries consisted of approximately 400 books, articles and papers. The libraries were initially available in the English language, but during the year the Bank started distributing similar libraries in the French language. The English and French libraries were financed by the Bank and the Rockefeller Foundation. Libraries in Spanish and Portuguese are now being prepared under the joint sponsorship of the World Bank and Inter-American Development Bank. The libraries are being made available at nominal cost to appropriate institutions in the more advanced member countries.

The Bank sent a number of general survey missions to various member countries including Uganda, Spain, Kenya and the Philippines. The Bank also organized and financed a mission to

study the economic implications of the association of the Federation of Malaya, the State of Singapore and the British Borneo territories into a new federation. The Bank is currently engaged in a study of the experience of its member countries in the organization and implementation of development planning. As a first result of this research project, monographs on development planning in Morocco and in Yugoslavia were published in July 1962.

Coordination of Development Assistance

A meeting of the Consortium on Aid to India was held in July 1962. The meeting was chaired by the Bank and attended by representatives of the Governments of Austria, Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States. Austria, Belgium, Italy and the Netherlands became members of the Consortium during the year. The members of the Consortium pledged aid to India amounting to $2,365 million to meet requirements during the first two years of India's Third Five-Year Plan (April 1961-March 1963). Canada's commitment amounted to the equivalent of $61 million. A further meeting of the Consortium was scheduled to be held in April 1963 to consider the aid requirements for the third year of the Plan (April 1963-March 1964).

A meeting of the Consortium on Aid to Pakistan was held in Paris in March 1963 to discuss the aid requirements for the fourth year of Pakistan's Second Five-Year Plan (July 1963-June 1964). Members of the Consortium had previously pledged aid commitments of $1,175 million for the first three years of the second plan. Canada's commitment amounted to the equivalent of $57.8 million. Membership in Consortium was enlarged during the year and now includes Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States.

Consultative groups, another technique for the coordination of external assistance to less-developed countries, were organized on the initiative of the Bank for Nigeria, Tunisia and Colombia. The purpose of these groups is to ensure that the most effective use is made of the aid being made available to a particular country and that such aid is provided on a coordinated basis. Canada is a member of the groups for Nigeria and Colombia.

Membership

During the year, Togo, Senegal and Somalia, Tanganyika, Sierra Leone, Kuwait, Jamaica and the Ivory Coast became members of the Bank, raising the total membership at the end of March 1963 to 83.

Canadian Representation

The Canadian Governor of the Bank since June 28, 1957, the Honourable Donald M. Fleming, Minister of Justice, was succeeded on May 2, 1963 by the Honourable Walter L. Gordon, Minister of Finance. On the same date, Mr. Louis Rasminsky, Governor of the Bank of Canada, succeeded Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance, as Canadian Alternate Governor of the Bank. At the ninth biennial election of Executive Directors in September 1962, Mr. Plumptre was elected Executive Director succeeding Mr. Louis Rasminsky. Mr. L.D. Hudon is the Alternate Executive Director.

TABLE I

IBRD - LOANS

(April 1, 1962 through March 31, 1963)

| r y | Principal Amount (in millions of US dollars) | Date of Loan Agreement | Term | Interest Rate * | Purpose |
|---|---|---|---|---|---|
| ia | $ 5.00 | June 15, 1962 | 15 yrs. | 5-3/4% | Private Industry |
| bia | 50.00 | May 23, 1962 | 25 yrs. | 5-3/4% | Power |
| bia | 2.90 | May 31, 1962 | 20 yrs. | 5-3/4% | Telecommunication |
| nd | 25.00 | Aug. 15, 1962 | 20 yrs. | 5-3/4% | Power |
| l | 22.00 | Oct. 17, 1962 | 18 yrs. | 5-1/2% | Highways |
| o | 130.00 | June 20, 1962 | 23 yrs. | 5-3/4% | Power |
| o | 30.50 | June 20, 1962 | 20 yrs. | 5-3/4% | Highways |
| co | 15.00 | Dec. 21, 1962 | ** | *** | Industry |
| agua | 2.60 | Mar. 1, 1963 | 25 yrs. | 5-1/2% | Agriculture |
| ia | 13.50 | Dec. 10, 1962 | 21 yrs. | 5-1/2% | Ports |
| tan | 18.25 | Sept.14, 1962 | 20 yrs. | 5-1/2% | Railways |
| tan | 4.75 | Sept.14, 1962 | 20 yrs. | 5-1/2% | Railways |
| tan | 20.00 | Feb. 13, 1963 | ** | *** | Industry |
| a | 4.00 | Sept.14, 1962 | 25 yrs. | 5-1/2% | Power |
| | 13.25 | Mar. 13, 1963 | 16 yrs. | 5-1/2% | Railways |
| pines | 3.70 | Nov. 7, 1962 | 18 yrs. | 5-1/2% | Power |
| pines | 15.00 | Feb. 15, 1963 | ** | *** | Industry |
| nd | 3.40 | Dec. 21, 1962 | 20 yrs. | 5-1/2% | Agriculture |
| nd | 5.60 | Dec. 21, 1962 | 15 yrs. | 5-1/2% | Agriculture |
| nd | 6.60 | Mar. 7, 1963 | 20 yrs. | 5-1/2% | Power |
| ay | 18.50 | Oct. 26, 1962 | 15 yrs. | 5-1/2% | Highways |
| lavia | 30.00 | July 11, 1962 | 25 yrs. | 5-3/4% | Power |
| Total | $439.55 | | | | |

Includes 1% commission charged on all Bank loans.

There is no fixed schedule of repayment. Each part of the loan committed for a particular project will be repaid by semi-annual installments according to a schedule to be determined at the time of the commitment.

There is no fixed interest rate. Interest will be applied to each portion of the loan at the Bank's current rate when such portion is committed for a particular project.

TABLE II

Bond and Note Issues Sold or Arranged to be Sold
During the Period April 1, 1962 to March 31,1963

| Issue and Maturity | Principal Amount in US$ Equivalent |
| --- | --- |
| Payable in U.S. Dollars | |
| 3-3/4% Two-Year Bonds of 1962, due 1964 | $ 100,000,000 (a) |
| 4-1/2% Fifteen-Year Bonds of 1962, due 1977 | 5,000,000 |
| 4% Five-Year Notes of 1962, due 1967 | 5,000,000 |
| Payable in Netherlands Guilders | |
| 4-1/2% Twenty-Year Bonds of 1962, due 1982 | 11,049,724 |

(a) The 3-3/4% Two-Year Bonds of 1962 refinanced a $100 million issue of 3-1/2% Two-Year Bonds that matured on October 1, 1962.

## INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation began operations in July 1956 as an international financial institution with an authorized capital of $100 million. Of that total $98.2 million had, by March 31, 1963, been subscribed by the governments of the 73 member countries, including $3.6 million by Canada. Eleven new members joined the IFC during the year: Ivory Coast, Kuwait, Morocco, Saudi Arabia, Senegal, Sierra Leone, Somalia, Syrian Arab Republic, Tanganyika, Togo and Tunisia. Their combined subscriptions to capital amounted to $1.8 million.

### Investment Operations

IFC invests in enterprises which are predominantly industrial (manufacturing, processing, mining), either for the expansion or improvement of an existing enterprise, or the creation of a new one.

During 1962-63 IFC substantially broadened its activities. For the first time it entered into underwriting and standby commitments covering the sale and distribution of industrial shares and obligations; its investment in equities increased sharply and it expanded further its activities in support of the establishment and expansion of industrial development banks.

Including underwriting and standby commitments, the Corporation made 12 new investments totalling $21.8 million during the year (Table I). This compared with ten investment commitments totalling $19.3 million in the previous year. Investment commitments during the year helped to finance private enterprises for the production of ball and other bearings, concrete products, chemicals, fertilizers, pulp and paper, seamless steel pipe, steel and textiles. Equity investments and standby commitments were also made in industrial development banks in three member countries.

During the year disbursements on investments were approximately $18.1 million; repayments of principal totalling $2.3 million were received; and the net earnings of the Corporation for the year amounted to $3.4 million.

New private participations in IFC investments during the year, including acquisition of securities covered by underwriting and standby commitments, amounted to $8.1 million. Purchasers included investors in Belgium, Germany, Italy, Mexico, Sweden, Switzerland, the United States and the United Kingdom.

As of March 31, 1963, the Corporation had authorized or completed 59 investments net of cancellations and terminations in 24 countries totalling $82.3 million, including one underwriting and two standby commitments totalling $8.1 million. Sales of loans and equity investments from portfolio to private investors aggregated $15.4 million on March 31, and a further $2.4 million of securities covered by underwriting and standby commitments had been acquired by investors. Repayments to the Corporation by the same date aggregated $2.9 million. The total net investment commitments held by the Corporation at the end of March amounted to about $62 million, of which $20.4 million was undisbursed.

Equity Investments

In last year's report, it was noted that the Board of Governors adopted a resolution enabling IFC to make equity investments. It might be of interest therefore to review in greater detail some of IFC's activities in this field during the last year.

The Corporation made or agreed to make equity investments amounting to the equivalent of $4.9 million in six countries. Included were investments in a concrete products company in Costa Rica, a new bearings company in India, a steel company in Mexico, development banks in Morocco and Spain, and a new fertilizer plant in Tunisia. In Colombia IFC acquired, as a dividend, additional shares in a development bank of which it was already a shareholder. Of these equity investments the Corporation has since sold or agreed to sell $0.3 million in shares to private interests.

Illustrating the greater flexibility accorded to IFC by its ability to hold equities is the transaction related to the financing of Compania Fundidora de Fierro y Acero de Monterrey, S.A., Mexico's largest privately owned steel company. Fundidora is diversifying its product line and increasing ingot capacity from 200,000 to 500,000 tons annually. To complete financing of the expansion programme the company sought the equivalent of $5 million in new equity capital. To assist the company IFC bought outright some $1.1 million in shares; and with Credito Bursatil, a Mexican investment house, agreed to underwrite an offering of some $4 million of shares to Fundidora's stockholders. IFC's underwriting commitment covered over $2.9 million in shares. Out of this amount, $1.8 million was acquired by others during the offering period, $0.4 million was taken up by the sub-underwriters and $0.6 million sold to private investors up to March 31, 1963. As a result of this transaction, a private industrial concern in a less developed country was able to raise capital by means of a substantially larger share issue than would have been possible without IFC assistance; foreign investment banking houses were enlisted to take part in the distribution and sale of the equity; and the local capital market was broadened.

The Corporation also considerably broadened its activities related to the financing and servicing of industrial development banks. Through its Department of Development Bank Services, established in January 1962, the IFC acts on its own behalf as well as on behalf of the Bank and IDA. The Bank lent $55 million to these development institutions in Austria, Morocco, Pakistan and the Philippines; and IDA made a credit of $5 million available to the Industrial Development Bank of Turkey. IFC served as adviser in connection with the Bank's loans and IDA's credit.

In the cases of Morocco, Pakistan and the Philippines, the Corporation also invested or agreed to invest in shares of ~~the~~ development banks receiving World Bank loans. Thus, IFC and the World Bank were placed in complementary roles in the financing of the three development banks; with IFC helping to broaden their capital bases through equity investment, and the World Bank helping to meet their needs for borrowed funds by making loans to them.

Of particular interest is IFC's investment in the Private Development Corporation of the Philippines to which the World Bank lent $15 million and IFC has committed itself to a standby of $4.4 million covering part of a pending share issue. The PDCP is a new development institution sponsored by private interests in the Philippines. The IFC worked with the organizers of PDCP in establishing its legal and corporate framework, and has succeeded in attracting broad European and American participation in the forthcoming issue.

Management

Mr. George D. Woods, President of the World Bank, became President of the Corporation succeeding Mr. Eugene R. Black.

TABLE I

New Investments
April 1, 1962 -- March 31, 1963

| ntry | Type of Business | Loans and Equity Investment | Under-writing and Standby (a) | Total Commitment |
|---|---|---|---|---|
| le | Compania Manufacturera de Papeles y Cartones, S.A.(Pulp and Paper) | $3,000,000 | $ - | $3,000,000 |
| lombia | Corporacion Financiera Colombiana de Desarrollo Industrial (Development Bank) | 23,730* | - | 23,730* |
| lombia | Compania Colombiana de Tejidos, S.A. (Textiles) | 2,000,000 | - | 2,000,000 |
| ta Rica | Productos de Concreto, S.A. (Concrete products) | 269,529 | - | 269,529 |
| ia | Precision Bearings, Ltd.(Bearings) | 900,000 | - | 900,000 |
| ico | Compania Fundidora de Fierro y Acero de Monterrey, S.A.(Steel) | 1,127,302 | 2,944,856 | 4,072,158 |
| ico | Tubos de Acero de Mexico, S.A. (Seamless steel pipes) | 250,000 | 750,000 | 1,000,000 |
| ico | Quimica del Rey, S.A. (Sodium sulphate) | 750,000 | - | 750,000 |
| occo | Banque Nationale pour le Developpement Economique (Development Bank) | 1,485,692 | - | 1,485,692 |
| ru | Fertilizantes Sinteticos, S.A. (Fertilizers) | 197,290 | - | 197,290 |
| ilippines | Private Development Corporation of the Philippines (Industrial Financing) | - | 4,358,974 | 4,358,974 |
| ain | Banco de Desarrollo Economico Espanol, S.A. (Financing of Enterprise) | 291,667 | - | 291,667 |
| isia | NPK Engrais S.A.T.(Fertilizers) | 3,500,000 | - | 3,500,000 |
| | | $13,795,210 | $8,053,830 | $21,849,040 |

* Dividend on previous investment taken in stock.

(a) A total of $2,382,206 of equities and debentures covered by underwriting and standby commitment has been acquired by other investors.

## INTERNATIONAL DEVELOPMENT ASSOCIATION

### Credit Operations

The International Development Association (IDA) continued to provide substantial financial assistance to important development projects in its member countries. During 1962-63, IDA extended 16 credits amounting to the equivalent of $248.05 million (Table I) in nine member countries mainly for agricultural improvement, transportation, power and industry. Including five new recipients of IDA credits - Haiti, Korea, Nicaragua, Tunisia and Turkey - the number of countries or territories which have received IDA credits rose to 18. The Association extended its first credit for a project in the field of education (a $5 million credit to Tunisia for secondary and technical school construction) and its first credit for the development of telecommunications. All of the credits are for a period of 50 years, including a ten-year grace period, and carry no interest charge. Repayment is at the rate of 1% per annum from the eleventh to the twentieth year and 3% per annum for the final 30 years. A service charge of 0.75% per annum, payable on the amounts withdrawn and outstanding, is charged to meet administrative costs.

In the last Annual Report to the Board of Governors, it was pointed out that:

> "It was not intended that these concessionary terms of IDA financing should result in the extension of financial subsidies to the actual projects on which IDA funds are employed, or that IDA funds should be used to finance a project which could not satisfy normal criteria of economic and financial viability. Hence, a project submitted for IDA financing is expected to meet the same technical, economic, financial and administrative standards as the World Bank itself would look for if the Bank were making a loan for that project on conventional terms. Furthermore, in the case of revenue-producing projects, IDA requires that the proceeds of the IDA credit be invested in the project on a normal business-like basis and that the price of the goods and services produced by the project be fixed at levels which will make the investment remunerative.

If the proceeds of an IDA credit were passed on to the agency executing a revenue-producing project at the concessionary terms obtained by the borrowing government itself, the effect would be to give the project a substantial financial subsidy. This was no part of IDA's purposes, and would encourage the waste and misdirection of scarce investment funds. IDA therefore requires that the borrowing government, if it re-lends the proceeds of an IDA credit for investment in a revenue-producing project, will do so on terms which will impose on the agency executing the project the normal financial discipline with regard to the fixing of rates and charges to consumers."

Membership

During the year the following 15 countries joined IDA: Argentina, Brazil, Burma, Dominican Republic, El Salvador, the Ivory Coast, Kuwait, Lebanon, Nepal, Senegal, Sierra Leone, Somalia, Syrian Arab Republic, Tanganyika and Togo. This brought IDA's membership to 74 countries with total subscriptions amounting to the equivalent of $968 million of which $765 million was to be paid in convertible form. In addition, the Swedish Parliament approved a supplementary contribution equivalent to $5.8 million to IDA in May, 1962. This was the first supplementary contribution to IDA's resources from any of its member countries. The contribution was neither tied to Swedish procurement nor restricted to use in any specified countries or projects.

Replenishment of Resources

In view of the fact that most of IDA's initial resources were expected to be committed by June 1963, the Board of Governors at their 1962 Annual Meeting requested the Executive Directors to prepare a report on the prospective financial requirements of IDA over the coming years with a view to replenishing these resources through additional subscriptions by member countries. The Board of Directors has not yet submitted its report.

TABLE I

IDA CREDITS

(April 1, 1962 through March 31, 1963)

| Country | Principal Amount (in million of US dollars) | Purpose |
|---|---|---|
| El Salvador | 8.00 | Highways |
| Ethiopia | 13.50 | Highways |
| Haiti | .35 | Highways |
| India | 15.00 | Irrigation |
| India | 13.00 | Irrigation and Power |
| India | 17.50 | Electric Power |
| India | 42.00 | Telecommunications |
| India | 18.00 | Port Development |
| India | 67.50 | Railways |
| Korea | 14.00 | Railways |
| Nicaragua | 3.00 | Water Supply |
| Pakistan | 18.00 | Irrigation |
| Pakistan | 6.50 | Industrial Estates |
| Turkey | 5.00 | Industrial Development Banks |
| Turkey | 1.70 | Electric Power |
| Tunisia | 5.00 | Education |
| Total | 248.05 | |

To His Excellency,

General The Right Honourable Georges P. Vanier,
D.S.O., M.C., C.D.,

Governor-General of Canada.

May it please your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreements Act and International Development Association Act during the fiscal year 1963-64.

All of which is respectfully submitted.

Walter L. Gordon

Minister of Finance.

Ottawa,

REPORT ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENTS ACT

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

DURING THE

FISCAL YEAR 1963-64

Introductory Note

The present report contains a summary of the operations of the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association during the period April 1, 1963 through March 31, 1964. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions, other than the IDA, is contained in the report on operations during the fiscal year 1958-59. A similar description for IDA was contained in the 1960-61 report.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Monetary Fund and the International Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The Agreement by which the International Development Association was established came into force in September 1960. Canadian participation in the Association, which is an affiliate of the International Bank, was authorized by the International Development Association Act, 1960.

The four organizations are closely linked in membership and general fields of endeavour. Membership in the International Monetary Fund is a prerequisite for membership in the International Bank for Reconstruction and Development, and membership in the International Bank is a prerequisite for membership in the International Finance Corporation and the International Development Association. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C.

The IMF and IBRD use the U.S. dollar as their basic unit of account, and dollar figures throughout the report are therefore expressed in terms of U.S. dollars, unless otherwise indicated.

INTERNATIONAL MONETARY FUND

Pierre-Paul Schweitzer, formerly Deputy Governor of the Bank of France, was appointed by the Executive Directors to a five-year term as Managing Director and Chairman of the Executive Board of the International Monetary Fund, succeeding the late Per Jacobsson. Mr. Schweitzer, who is the fourth to hold this office, assumed his duties on September 5, 1963.

1963 Annual Meeting

The Eighteenth Annual Meeting of the Board of Governors was held in Washington, D.C., from September 30 through October 4, 1963, under the chairmanship of Emilio Colombo, Governor for Italy. The Managing Director gave his annual address presenting the Annual Report, and the Governors exchanged views on the world payments situation and the problems of the developing countries. Particular attention was centered on the subject of international liquidity and the functioning of the international monetary system. The Managing Director expressed his belief that insofar as it is found necessary from time to time to expand the level of world liquidity by international action, the Fund would be found to be the instrument through which the bulk of the required expansion of international liquidity could most suitably be carried out. His statement that the Fund would, in the coming year, develop and intensify its studies regarding international liquidity, the functioning of the international monetary system, and the effective role of the Fund in this field was endorsed by many of the Governors. During the week of the Meeting, the Governors representing the ten industrial countries, including Canada, that had participated in the General Arrangements to Borrow met together in Washington and announced that they would also make a thorough examination of the outlook for the functioning of the international monetary system and of its probable future needs for liquidity, while maintaining close working relations with the Fund and other international bodies concerned with monetary matters.

At the closing session, the Governor for El Salvador was elected Chairman for the ensuing year and the Governors for Ethiopia and Iraq were elected Vice-Chairmen. The 1964 Annual Meeting will be convened in Tokyo, Japan, on September 7, 1964.

Canadian Representation

The Honourable Walter L. Gordon, Minister of Finance, was appointed Governor of the Fund for Canada on May 2, 1963. Mr. Louis Rasminsky, Governor of the Bank of Canada, has served as Alternate Governor since August 16, 1961. Mr. A.F.W. Plumptre is the Executive Director for Canada and Mr. L.D. Hudon is his Alternate.

Membership

During the year under review, 19 countries - Algeria, Burundi, Cameroon, the Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Gabon, Guinea, Kenya, the Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Trinidad and Tobago, Uganda, and Upper Volta - joined the Fund, bringing total membership at March 31, 1964 to 103.[1] An application for membership from Zanzibar was pending at the year's end.

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1/ Cuba withdrew from the Fund, effective April 2, 1964, making the total membership 102 on that date.

Executive Board

A 19th Executive Director was elected on October 3, 1964, by 24 countries which had become members of the Fund since the previous regular election in 1962. This election was held in accordance with a resolution, adopted by the Governors at the time of the 1962 biennial election, providing for an interim election of an additional Director to be held when new members having a stipulated number of votes had become members of the Fund. Of the members which elected the new Director, 23 are African and the other is from the Caribbean area.

Acceptance of the Obligations of Article VIII

During the year under review, Kuwait and Japan[1/] formally accepted the obligations of Article VIII, Sections 2, 3 and 4, thereby joining 22[2/] other members, including Canada, which have already accepted these obligations. These countries are required to avoid restrictions on current payments, multiple currency practices, and discriminatory currency practices; should they have to resort to such measures they would have to consult with the Fund and obtain prior approval. Those countries which have not yet accepted the obligations of Article VIII are able, under Article XIV of the Articles of Agreement, as a transitional arrangement, to maintain and adapt exchange restrictions without obtaining prior Fund approval.

General Arrangements to Borrow

On January 21, 1964 Canada notified the Fund of its adherence to the general arrangements to borrow, under which ten industrial members of the Fund would make available to the Fund supplementary resources up to the equivalent of U.S. $6 billion if needed to forestall or cope with an impairment of the international monetary system. The participants, together with the amounts which they would be prepared to lend, are shown in the following Table:

| Participants | Amount ($US millions equivalent) |
|---|---|
| Belgium | 150 |
| Canada | 200 |
| France | 550 |
| Deutsche Bundesbank (Germany) | 1,000 |
| Italy | 550 |
| Japan | 250 |
| Netherlands | 200 |
| Sveriges Riksbank (Sweden) | 100 |
| United Kingdom | 1,000 |
| United States | 2,000 |
| Total | 6,000 |

To date, it has not been necessary to make use of the resources available under these arrangements.

1/ Effective April 1, 1964.

2/ Excluding Cuba, which withdrew from the Fund on April 2, 1964.

Compensatory Financing of Export Fluctuations

During the year two countries used the Fund's new facility designed to broaden its short-term balance of payments support for member countries, particularly those exporting primary products, which experience temporary declines in their export earnings due to circumstances largely beyond their control. Brazil drew $60 million under the decision and the United Arab Republic, $16 million. These amounts represented estimates of the export shortfalls experienced, and were, in both cases, smaller than 25 per cent of the member's quota. The United Arab Republic transaction brought the Fund's holdings of that country's currency to 215 per cent of quota - the first time in the Fund's history that the 200 per cent limit had been exceeded. The fact that only two countries have, so far, applied for a compensatory drawing is largely attributable to the generally favourable trend during the past year in export receipts of primary producing countries. The Compensatory Financing Decision also provided that sympathetic consideration would be given to requests for quota adjustments from countries exporting primary products, especially those with smaller quotas, in order to make these more appropriate in the light of export fluctuations and other relevant criteria. Under this provision, increases have been agreed and put into effect for El Salvador, Honduras, and the Syrian Arab Republic. Increases have also been approved for Costa Rica, the Dominican Republic, and Ecuador and these are awaiting formal consent by the member concerned to become effective.

Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programmes, often in conjunction with financial assistance from other sources; furthermore, the Fund has provided compensatory financing to cover export shortfalls. Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit and within a specified period.

From the beginning of the Fund's operations to March 31, 1964, 51 members have made foreign exchange drawings equivalent to $7,465.7 million. During the year under review, there were drawings by 18 member countries amounting to the equivalent of $645.3 million compared to drawings of $562.5 million during the previous fiscal year.

Italy made the largest single drawing on the Fund during the year. It amounted to the equivalent of $225 million of which $20 million was made in Canadian dollars.

Of the total purchases made during 1963-1964, $130.3 million or 20.2 per cent was in U.S. dollars compared to $143.1 million or 25.4 per cent in 1962-1963; the equivalent of $199.3 million was in deutsche marks, $129.8 million in French francs, $33.5 million in Italian lire, $25 million in Netherlands guilders, $10.5 million in pounds sterling, $34.5 million in Belgian francs, $21 million in Austrian schillings, $20 million

in Canadian dollars, $15 million in Swedish kronor, and $26.5 million in Spanish pesetas (Table I). During the year, $336.45 million was purchased in accordance with arrangements for immediate drawings and $308.85 million was drawn by 13 members in accordance with existing stand-by arrangements (Table II). The amounts not drawn but available under stand-by arrangements at March 31, 1964, totalled $1,964.5 million.

Any drawing or stand-by arrangement exceeding 25 per cent of a member's quota within any 12-month period (except to the extent that the Fund holds less of the member's currency than 75 per cent of its quota), and any drawing or stand-by arrangement which would increase the Fund's holdings of that currency to more than 200 per cent of the quota, require - under Article V, Section 4, of the Articles of Agreement - the grant of a waiver in favour of the member. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review (except in the cases of Colombia, India, Turkey and United States); waivers were also granted in connection with all immediate drawings, except in the cases of Brazil, Italy and Yugoslavia.

The schedule of Fund charges on purchases, which had been in effect since January 1, 1954, was revised by the Executive Board. (See Table IV).

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. Repurchases amounting to $408 million were made by 28 members between April 1, 1963 and March 31, 1964 (Table III). This amount included the equivalent of $138.5 million repurchased by Canada in the following currencies: $30.1 million in French francs, $30.1 million in deutsche marks, $0.2 million in pounds sterling, $56.3 million in U.S. dollars, $21.9 million in gold and small amounts in Belgian francs, Italian lire, Netherlands guilders and Swedish kronor. From the beginning of the Fund's operations to March 31, 1964 repurchases totalled $5,280 million.

On March 31, 1964, the Fund's holdings of member currencies (including non-negotiable, non-interest-bearing notes) were equivalent to $11,734 million, of which $3,221 million was in U.S. dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement at March 31, 1964 amounted to the equivalent of $9,960 million, of which $3,128 million was in gold. On that date the largest holding of a convertible currency other than U.S. dollars was in pounds sterling and was equivalent to $1,460 million. The Fund's holdings of Canadian dollars at the end of March, 1964 amounted to 96 per cent of Canada's quota of $550 million.

Exchange Restrictions

The Fourteenth Annual Report on Exchange Restrictions published in July, 1963 surveyed the developments in exchange practices and other arrangements affecting trade and payments throughout the world during 1962 and the first three months of 1963 and described the main features of the exchange system of all Fund members, 5 non-metropolitan territories, and 2 other countries.

The Report noted that the balance of payments and reserve position of most industrial countries remained fairly strong and that many of these countries took further steps to relax their restrictions on imports, invisibles and capital transfers. It noted that, in the period covered, Austria, Jamaica and Kuwait had accepted the obligations of Article VIII, Sections 2, 3, and 4, of the Fund Agreement. Although the balance of payments of some developing countries improved, the majority of these countries continued to experience balance of payments difficulties. As a group, these countries continued to rely on restrictions on trade and payments and other practices, but they made, nevertheless, some progress in this respect even though some of them increased reliance on restrictions and multiple currency practices. The Report reviewed the use of advance deposit requirements as a prerequisite to obtaining import or exchange licenses, developments in payments of a capital nature, and changes in the treatment of capital transactions in various countries. It also reviewed the regional agreements in force among Fund members, including those which came into effect during the period under consideration, as well as changes introduced under these agreements in trade practices as steps towards the final goals in these matters.

Consultations in 1963

Members of the Fund which continue to maintain exchange restrictions under Article XIV of the Fund Agreement are required to consult the Fund annually concerning such restrictions. The twelfth series of consultations began in April 1963. During the period under review, these consultations have been held or were initiated with 57 member countries and have continued to provide opportunities for examining the economic and financial problems giving rise to restrictive and discriminatory practices. The Fund has continued its endeavours to help in eliminating those practices. Moreover, in pursuance of the decision of the Fund's Executive Board on Article VIII, consultations took place or were initiated with 19 countries that have accepted the obligations of Article VIII of the Fund Agreement. These discussions have provided the opportunity for exchange of views on monetary and financial developments and have assisted the Fund in providing the machinery for consultation and collaboration on international monetary problems. In connection with practically all of these consultations and discussions, Fund missions have visited the member countries concerned. Consultation discussions between the Fund staff and Canadian representatives were held in Ottawa during January 1964.

Quotas

In addition to the increases in quotas approved under the Compensatory Financing Decision, mentioned on page 3, the Governors have also approved increases for Israel and Italy during the period under review. Israel has formally consented to the increase, which accordingly has become effective. The United Arab Republic, whose request for an increase was approved by the Governors in 1962, has until May 31, 1964 to consent formally under the provisions of the Governors' resolution. The aggregate of quotas on March 31, 1964 was US$15,619.75 million.

Par Values

Ethiopia consulted the Fund about a change in its par value to Eth$2.50000 per U.S. dollar from its initial par value

of Eth$2.48447 per U.S. dollar, established with the Fund on December 18, 1946. As the proposed change did not exceed 10 per cent of the initial par value permitted under Article IV, Section 5(c), the Fund noted without objection the new par value, which became effective December 31, 1963.

Initial par values of the currencies of Nigeria, Kuwait, Somalia, and Thailand were established by agreement between the Fund and the respective governments. Initial par values have now been agreed between the Fund and all but 31 of its members, most of these being countries which become members only recently.

The Board of Governors, on April 12, 1963, approved an amendment of the terms of the membership resolutions for those members which have not yet agreed to a par value with the Fund for their currencies; the amendment eliminated the 30-day delay formerly required, after the time a member's initial par value was agreed with the Fund and put into operation and its subscription was fully paid, before the member might engage in an exchange transaction.

Gold Transaction Services

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended to include five international organizations and several non-member countries 1/ among those who are permitted to use it.

Since March 1952, the central banks of 25 member countries and five international organizations have effected purchases and sales of gold through the facilities provided by this service. During the period under review no transactions were completed by the Fund. Since the Fund's gold transaction service was authorized in March 1952, transactions equivalent to $1,083 million have been completed.

Gold Subsidies

The bold subsidy programmes of the Governments of Australia and the Philippines, discussed in previous reports, continued in operation during the year.

In addition, South Africa consulted the Fund with regard to the governmental assistance to be granted to certain marginal gold mines to cover running costs, mainly pumping water from their inter-connected underground workings. The Fund deemed the assistance to be consistent with the objectives of the Fund's Statement on Gold Subsidies of December 11, 1947.

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1/ These countries, with one exception, have since become members of the Fund.

Relations with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund continued its close contacts with the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), and the Bank for International Settlements (BIS). Liaison with the United Nations and its various regional and technical bodies has been maintained, including direct working relationships with their staffs, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation at meetings. There has been close consultation and cooperation with the United Nations on a variety of technical assistance matters, particularly in relation to the Congo (Leopoldville). The Managing Director addressed the Resumed 36th Session of the Economic and Social Council in New York in December 1963, and the UN Conference on Trade and Development, which convened in Geneva, in March 1964. Fund representatives also attended meetings of the General Assembly, the Economic and Social Council and its Regional Commissions, the Commission on International Commodity Trade, the Special Fund, the Conference on Trade and Development and its Preparatory Committee, and other intergovernmental bodies working on problems in which the Fund has a concern. The Fund has also taken an active part in meetings of the interagency Administrative Committee on Coordination, its Preparatory Committee and its subsidiary Consultative Committees. Staff members have participated in meetings of the Food and Agriculture Organization.

The Fund also sent representatives to the Fifth Conference of the European League for Economic Cooperation in Brussels, the OECD Study Conference on Government Finance and Economic Development in Athens, and the Conference of Experts on an African Payments Union in Tangier.

In the Latin American area, Fund representatives attended the second annual meetings of the Organization of American States' Inter-American Economic and Social Council at the Expert and Ministerial Levels, the fourth annual meeting of the Board of Governors of the Inter-American Development Bank, the third meeting of the Governors of the Central American Bank for Economic Integration, the seventh meeting of the Central Banking Experts of the American Continent, and the annual meeting of the Inter-American Council for Commerce and Production.

Fund missions have again attended the session and other meetings of the CONTRACTING PARTIES to the GATT in Geneva during the period under review. The CONTRACTING PARTIES consulted the Fund in connection with their regular consultations with individual governments on import restrictions maintained for balance of payments reasons, as well as in connection with other matters where balance of payments questions were involved. The Fund transmits by arrangements with the CONTRACTING PARTIES the decisions resulting from its own Article XIV consultations with the various governments consulting under the balance of payments provisions of the GATT, together with background material relating to such countries, and Fund missions cooperate with the committee conducting the GATT consultations.

## Cooperation with Members, Including Technical Assistance

In addition to exchanging views in the course of the consultations under Articles VIII and XIV, the Fund has continued to give advice and assistance in specific technical fields as requested by member governments. Matters on which the Fund has cooperated in this way include stabilization programmes, studies of the financial system and its adaptation to financing economic development, financial reform measures, exchange control policies and practices, central banking legislation, and compilation of financial statistics. In some cases the Fund has lent its good offices to countries in recruiting foreign technicians to help solve problems of this kind.

To meet an increasing demand for technical assistance in the field of central banking, the Fund has recently established a programme under which it will make available experts in central banking operations to countries requesting such assistance. Countries with established central banks are providing the names of experts who are prepared to receive assignments from the Fund. Under this programme experts have been assigned to three new central banks. The Fund is also providing a special programme of technical assistance to Congo (Leopoldville) by helping to finance and recruit experts to fill several posts in the financial institutions of that country.

In February 1964, the Fund staff held a meeting, at its Paris Office, of balance of payments experts from OECD countries to study problems of balance of payments statistics, especially those related to international transportation. This meeting followed a meeting of experts convened by the OECD to discuss a common IMF/OECD questionnaire to be used for balance of payments reporting to both organizations. Staff members also participated in a meeting on balance of payments statistics for technicians from African countries, held under the joint auspices of the Fund and the United Nations Economic Commission for Africa, in Rabat, Morocco, from July 31 to August 9, 1963.

During the period under review, members of the staff visited 80 countries for purposes of consultation, technical assistance, or the informal exchange of views and information. Periods of assignment ranged from approximately one to two weeks to over a year. Staff members were made available on long-term assignments to 12 countries.

Since he assumed office in September 1963, the Managing Director has had an opportunity to meet with representatives of several member countries in Europe and to visit some countries in Latin America for an exchange of views. The Executive Directors play an essential part in keeping the Fund informed of current trends in the countries they represent, and visits to Washington by officials from member countries, often made when matters of special concern to them are under consideration, also help the Fund to function as a genuinely cooperative international organization.

## Training Programme

During 1963-64 the Fund continued its training programme for middle and junior-rank staff of member governments as a form of technical assistance in the field of financial analysis and policy. The two 5-month programmes which were offered included

51 participants from 43 countries. Among these was Canada's first entry, a staff member from the Department of Finance. Other first-time participants came from Ireland and Kuwait, bringing to 73 the total number of countries which have participated in the Fund's training programme over the past 13 years.

Publications

In March 1964, the Fund published International Monetary Problems, 1957-1963, a compilation of selected speeches by the late Per Jacobsson during his tenure as Managing Director of the Fund.

Regular publications issued, in addition to the Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1963 (Eighteenth Annual Report) and the Fourteenth Annual Report on Exchange Restrictions, were:

Summary Proceedings of the Eighteenth Annual Meeting of the Board of Governors

Selected Decisions of the Executive Directors, 2nd Issue

By-Laws and Rules and Regulations, 23rd Issue

Schedule of Par Values, 36th and 37th Issues

International Financial Statistics (monthly with annual supplement)

International Financial News Survey (weekly)

Staff Papers, Vol. X, Nos. 2 and 3; Vol. XI, No. 1

Balance of Payments Yearbook, Vol. 15

TABLE I

Drawings on the Fund by Currency

April 1, 1963 - March 31, 1964

(millions of U.S. dollars equivalent)

| Member Drawing | Total | Austrian Schillings | Belgian Francs | Canadian Dollars | French Francs | Deutsche Mark | Italian Lire | Netherlands Guilders | Spanish Pesetas | Swedish Kronor | Pounds Sterling | U.S. Dollars |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | 50.00 | | | | 20.00 | 5.00 | 5.00 | | | | 5.00 | 15.00 |
| Bolivia | 2.50 | | | | | | | | | | | 2.50 |
| Brazil | 60.00 | | | | | | | | | | | 60.00 |
| Chile | 32.50 | | | | | 22.50 | | | | | | 10.00 |
| Colombia | 23.50 | | | | | | | | 11.50 | | | 12.00 |
| Costa Rica | 4.00 | | | | | | | | | | | 4.00 |
| Haiti | 4.50 | | | | | | | | | | | 4.50 |
| Honduras | 5.00 | | | | | | | | | | | 5.00 |
| Indonesia | 20.00 | | | | | 10.00 | 5.00 | 5.00 | | | | |
| Italy | 225.00 | 10.00 | 20.00 | 20.00 | 50.00 | 80.00 | | 20.00 | 15.00 | 10.00 | | |
| Liberia | 4.10 | | | | | | | | | | | 4.10 |
| Nicaragua | 7.75 | | | | | | | | | | | 7.75 |
| Sudan | 5.45 | | | | | | | | | | 5.45 | |
| Syrian Arab Rep. | 12.00 | | | | | 12.00 | | | | | | |
| Turkey | 18.00 | 3.00 | 9.50 | | | | | | | | | 5.50 |
| United Arab Rep. | 16.00 | 8.00 | | | | | 8.00 | | | | | |
| United States | 125.00 | | | | 59.75 | 59.75 | 5.50 | | | | | |
| Yugoslavia | 30.00 | | 5.00 | | | 10.00 | 10.00 | | | 5.00 | | |
| Total | 645.30 | 21.00 | 34.50 | 20.00 | 129.75 | 199.25 | 33.50 | 25.00 | 26.50 | 15.00 | 10.45 | 130.35 |

TABLE II

Stand-by Arrangements in Force - April 1, 1963 - March 31, 1964

(millions of U.S. dollars)

| ber | Date of Arrangement | Date of Expiration | Amount | Amount Purchased Under Stand-by April 1, 1963-March 31, 1964 | Total Amount Purchased Under Stand-by | Amount Available March 31, 1964 |
|---|---|---|---|---|---|---|
| ina | June 7, 1962 | Oct. 6, 1963 [1] | 100.00 | 50.00 | 100.00 | - |
| | Aug. 8, 1962 | Aug. 7, 1963 | 10.00 | - | 5.00 | - |
| | Sept. 4, 1963 | Sept. 3, 1964 | 10.00 | 2.50 | 2.50 | 7.50 |
| | Jan. 15, 1963 | Jan. 14, 1964 | 40.00 | 22.50 | 40.00 | - |
| | Feb. 14, 1964 | Feb. 13, 1965 | 25.00 | 10.00 | 10.00 | 15.00 |
| la | Jan. 14, 1963 | Jan. 13, 1964 | 52.50 | 21.00 | 48.50 | - |
| | Feb. 14, 1964 | Feb. 13, 1965 | 10.00 | 2.50 | 2.50 | 7.50 |
| Rica | Dec. 24, 1962 | Dec. 23, 1963 | 11.60 | 4.00 | 10.00 | - |
| | June 8, 1962 | June 7, 1963 | 5.00 | - | 3.00 | - |
| | July 1, 1963 | June 30, 1964 | 6.00 | - | - | 6.00 |
| vador | Sept.13, 1962 | Sept.12, 1963 | 11.25 | - | - | - |
| | Sept.13, 1963 | Sept.12, 1964 | 5.00 | - | - | 5.00 |
| | Oct. 1, 1962 | Sept.30, 1963 | 6.00 | 3.00 | 4.50 | - |
| | Oct. 1, 1963 | Sept.30, 1964 | 4.00 | 1.50 | 1.50 | 4.00 [2] |
| as | June 29, 1962 | June 28, 1963 | 7.50 | - | 3.75 | - |
| | July 18, 1963 | July 17, 1964 | 7.50 | 5.00 | 5.00 | 2.50 |
| | July 9, 1962 | July 8, 1963 | 100.00 | - | 25.00 | - |
| | July 9, 1963 | July 8, 1964 | 100.00 | - | - | 100.00 |
| sia | Aug. 1, 1963 | July 31, 1964 | 50.00 | 20.00 | 20.00 | 30.00 |
| | June 13, 1963 | June 12, 1964 | 10.00 | - | - | 10.00 |
| | Mar. 11, 1964 | Mar. 10, 1965 | 305.00 | - | - | 305.00 |
| | June 1, 1963 | May 31, 1964 | 5.70 | 4.10 | 4.10 | 1.60 |
| gua | Mar. 1, 1963 | Feb. 29, 1964 | 11.25 | 7.75 | 12.25 [3] | - |
| | Mar. 1, 1963 | Feb. 29, 1964 | 30.00 | - | - | - |
| | Mar. 1, 1964 | Feb. 28, 1965 | 30.00 | - | - | 30.00 |
| pines | Apr. 12, 1962 | Apr. 11, 1963 | 40.40 | - | - | - |
| | Apr. 12, 1963 | Apr. 11, 1964 | 40.40 | - | - | 40.40 |
| A.R. | Mar. 12, 1964 | Dec. 31, 1964 | 18.50 | 12.00 | 12.00 | 6.50 |
| | Feb. 15, 1963 | Dec. 31, 1963 | 21.50 | 15.00 | 21.50 | - |
| | Feb. 15, 1964 | Dec. 31, 1964 | 21.50 | 3.00 | 3.00 | 18.50 |
| A.R. | May 7, 1962 | May 6, 1963 | 42.50 | - | 42.50 | - |
| Kingdom | Aug. 8, 1962 | Aug. 7, 1963 | 1,000.00 | - | - | - |
| | Aug. 8, 1963 | Aug. 7, 1964 | 1,000.00 | - | - | 1,000.00 |
| States | July 22, 1963 | July 21, 1964 | 500.00 | 125.00 | 125.00 | 375.00 |
| y | Oct. 4, 1962 | Oct. 3, 1963 | 30.00 | - | 15.00 | - |
| | | | | 308.85 | | 1,964.50 |

1/ Extended from June 6, 1963.
2/ Augmented by repurchase of $1.5 million.
3/ Augmented by repurchase of $1.0 million.

**Repurchases: April 1, 1963 - March 31, 1964**

(millions of U.S. dollars equivalent)

| Member Repurchasing | Total 1/ | United States Dollars | Belgian Francs | French Francs | El Salvadoran Colones | Deutsche Mark | Italian Lire | Netherlands Guilders | Swedish Kronor | Pounds Sterling | Gold |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | 36.00 | 25.50 | | 3.00 | | 6.00 | 1.50 | | | | |
| Australia | 25.82 | 12.91 | | | | | | | | 12.91 | |
| Bolivia | 3.75 | 1.75 | | 2.00 | | | | | | | |
| Brazil | 55.50 | 55.50 | | | | | | | | | |
| Burma | 2/ | | | | | | | | | | 2/ |
| Canada | 138.50 | 56.28 | 2/ | 30.11 | | 30.06 | 2/ | 2/ | 2/ | .19 | 21.86 |
| Chile | 10.00 | | | 5.00 | | 5.00 | | | | | |
| Colombia | 6.00 | 2.00 | | | | | 4.00 | | | | |
| Costa Rica | 1.29 | .84 | | | | | | | | 2/ | .45 |
| Dominican Republic | 9.00 | 9.00 | | | | | | | | | |
| Ecuador | 3.27 | .70 | | | | | | | | | 2.57 |
| Guatemala | 2.06 | 1.50 | | | 2/ | | | | | | .56 |
| Haiti | 3.00 | 1.00 | | 2.00 | | | | | | | |
| Honduras | 2.50 | 2.49 | | | | | | | | | .01 |
| Iceland | .02 | | | | | | | | | 2/ | .01 |
| India | 50.00 | | 5.00 | 17.50 | | 17.50 | 5.00 | 5.00 | | | |
| Ireland | 2.31 | | | | | | | | | 2.30 | 2/ |
| Jamaica | 1.19 | .02 | | | | | | | | 1.17 | |
| Malaysia | 3.37 | .35 | | | | 2/ | | | | 2.58 | .44 |
| Nicaragua | 12.25 | .99 | | 5.24 | | 6.00 | | | | | .01 |
| Pakistan | 12.50 | 12.50 | | | | | | | | | |
| Paraguay | 0.38 | .38 | | | | | | | | | |
| Philippines | 2.00 | | | 2.00 | | | | | | | |
| Sudan | .33 | | 2/ | | | | 2/ | | | .33 | |
| Syrian Arab Republic | 5.12 | 1.24 | | | | | | | | 3.88 | |
| Turkey | 9.00 | 7.53 | | | | | | | | | 1.47 |
| United Arab Republic | 2.50 | 2.50 | | | | | | | | | |
| Yugoslavia | 10.00 | | | | | 10.00 | | | | | |
| Total 1/ | 407.63 | 194.98 | 5.00 | 66.85 | 2/ | 74.56 | 10.50 | 5.00 | 2/ | 23.36 | 27.38 |

1/ Totals may not equal sums of items because of rounding.
2/ Less than the equivalent of $5,000.

TABLE IV

Charges on transactions effected after May 1, 1963 are 1/:

Charges in Per Cent per Annum 2/ for period stated and for portion of Holdings in Excess of Quota by (per cent)

| | | | |
|---|---|---|---|
| e than .......... | 0 | 50 | 100 |
| t not more than .. | 50 | 100 | |
| vice Charge ..... | .5 | .5 | .5 |
| to 3 months .... | 0.0 | 0.0 | 0.0 |
| to 6 months .... | 2.0 | 2.0 | 2.0 |
| to 1 year ...... | 2.0 | 2.0 | 2.5 |
| to 1½ years ..... | 2.0 | 2.5 | 3.0 |
| to 2 years ..... | 2.5 | 3.0 | 3.5 |
| to 2½ years ..... | 3.0 | 3.5 | 4.0* |
| to 3 years ..... | 3.5 | 4.0* | 4.5 |
| to 3½ years ..... | 4.0* | 4.5 | 5.0 |
| to 4 years ..... | 4.5 | 5.0 | |
| to 4½ years ..... | 5.0 | | |

Average Effective Rates 3/ in per Cent per Annum for portion of Holdings in Excess of Quota by (per cent)

| | | | |
|---|---|---|---|
| More than .......... | 0 | 50 | 100 |
| But not more than .. | 50 | 100 | |
| 3 months .......... | 2.00 | 2.00 | 2.00 |
| 6 months .......... | 2.00 | 2.00 | 2.00 |
| 1 year ........... | 2.00 | 2.00 | 2.25 |
| 1½ years .......... | 2.00 | 2.17 | 2.50 |
| 2 years .......... | 2.12 | 2.38 | 2.75 |
| 2½ years .......... | 2.30 | 2.60 | 3.00 |
| 3 years .......... | 2.50 | 2.83 | 3.25 |
| 3½ years .......... | 2.71 | 3.07 | 3.50 |
| 4 years .......... | 2.94 | 3.31 | |
| 4½ years .......... | 3.17 | | |

1/ For charges on earlier transactions, see May 1963 and January 1957 IFS.

2/ Except for service charge which is payable once per transaction and stated as per cent of amount of transaction.

3/ Total charges payable by the member over the stated period, expressed as a per cent and divided by the number of years of the period. Includes service charge.

* Point at which the Fund and the member consult.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## Lending Operations

During the fiscal year 1963-64, the Bank made 38 loans in 26 member countries and territories totalling the equivalent of $843.8 million (Table 1). Bank loans during 1962-63 totalled the equivalent of $439.6 million and in 1961-62, $893.2 million. Private banks and other investors participated directly in 29 of the year's loans in amounts aggregating $46.2 million, in all cases without the Bank's guarantee. As of March 31, 1964, the gross total of all Bank loans amounted to the equivalent of $7,737.7 million of which $5,852.6 million had been disbursed. Taking into account cancellations and exchange adjustments ($170.5 million), repayments ($737.6 million) and sales of loans ($1,755.3 million), the portions of loans signed still retained by the Bank on March 31, 1964 amounted to $5,074.3 million.

## Lending Resources

The Bank obtains its funds for lending operations from the capital subscriptions of its members, the sale of its own bonds and notes, the sale of portions of its loan portfolio and its net earnings.

### a) Capital Subscriptions

The Bank's authorized capital is $22,000 million, of which $21,130.4 million had been subscribed by March 31, 1964. Of each subscription, 1% is payable in the form of gold or U.S. dollars and is freely useable by the Bank in any of its operations and 9% is payable in the national currency of the member and may be used only with the consent of the country concerned. The remaining 90% of each subscription is not available for lending. It is subject to call should the Bank ever need additional funds to meet its obligations. The uncalled subscription is in the nature of a guarantee against which the Bank is able to borrow funds.

By March 31, 1964, the Bank had been able to use or allocate for lending the equivalent of approximately $1,704 million from paid-in capital. Of Canada's total subscription of $750 million, $7.5 million has been paid in gold and U.S. dollars and the equivalent of $67.5 million has been paid in Canadian dollars. Canada has given the Bank permission to use this amount freely in its operations.

### b) Sale of Bonds and Note Issues

The Bank obtained the equivalent of $104.5 million through the sale of its own bonds and notes between April 1, 1963 and March 31, 1964, of which the equivalent of $4.5 million represented new funds and the remainder represented refunding of a matured issue (Table II).

In August 1963, the Bank placed outside the United States a $100 million issue of U.S. dollar bonds with institutional investors in 29 countries. In February 1964, the Bank received $4.5 million in delayed delivery payments for the 4-1/2% Twenty-Year Bonds sold in 1962.

Outstanding funded debt of the Bank on March 31, 1964 amounted to the equivalent of $2,501.6 million, a decrease of about $21.7 million since April 1, 1963. Contributing to the decrease in outstanding debt was a maturity equivalent to $7.8 million of the 3-3/8% Swiss Franc loan of 1957 and the acquisition by the Bank of its bonds to the equivalent of $18.4 million to meet purchase and sinking fund requirements. Of the outstanding debt $1,893.1 million was denominated in U.S. dollars, $29.3 million in Canadian dollars and the remainder in Belgian francs, Deutsche marks, Italian lire, Netherlands guilders, pounds sterling and Swiss francs.

c) Sales of Bonds from the Bank's Portfolio

During the year ending March 31, 1964, the Bank sold or agreed to sell principal amounts of its outstanding loans amounting to the equivalent of $247.4 million. This compares with sales of $261 million in the year 1962-63 and $282 million in 1961-62. All sales were made without the Bank's guarantee. The total of loans sold or agreed to be sold by the Bank up to March 31, 1964, aggregated $1,755.3 million, of which $777 million had been retired by the borrowers.

d) Earnings and Reserves

The net earnings of the Bank in the year ending March 31, 1964 amounted to $93.6 million compared to $79.6 million in 1962-63 and of the $93.6 million, $21.6 million was placed in the Supplemental Reserve Against Losses on Loans and Guarantees, and $72.0 million retained in the "Net Income" account. In addition, the Bank added $32.5 million ($30.8 million in 1962-63) to its Special Reserve during this period. On March 31, 1964, the Supplemental Reserve amounted to a total of $558.1 million, accumulated net income to $72.0 million and the Special Reserve to $279.5 million.

Annual Meeting

The Eighteenth Annual Meeting of the Boards of Governors of the Bank and its affiliates, the International Development Association and the International Finance Corporation, was held in Washington, D.C. from September 30 to October 4, 1963. This was the first Annual Meeting attended by Mr. George D. Woods in his capacity as President. Mr. Woods succeeded Mr. Eugene R. Black, who retired on January 1, 1963. In his address to the Governors, Mr. Woods suggested that the time had come when the Bank would have to add new dimensions to both its lending and technical assistance activities. In this connection, he thought that the Bank could do more to help agriculture and education in less-developed countries. Industry was another area where the Bank could extend its activities, for instance, by financing new industries in developing countries or by providing, in appropriate cases, long-term financing for the import of individual pieces of equipment, components, and spare parts needed by established industries. Mr. Woods noted that the extension of the Bank's activities in these directions would probably call for more intensive collaboration between the Bank and some of the specialized agencies of the United Nations. Mr. Woods also thought that, in helping countries to solve their development problems, the Bank should take full advantage of its strong financial position.

It might be possible for the Bank, in appropriate cases, to modify the terms of its lending, for instance, by lengthening the maturity of Bank loans which up until now have generally had a maximum life of 25 years, or by lengthening the grace period in order to allow a project being financed to be brought into full earning power or to give a longer breathing spell to a borrower whose repayment capacity may take some years to build up. The Board of Governors warmly welcomed the various proposals put forward by Mr. Woods in his speech and agreed that the Board of Directors and the management of the Bank should explore ways and means of putting these suggestions into effect.

Technical Assistance

In the period under review, the Bank continued to expand its assistance to member countries in bringing development projects and programmes to the point of readiness for financing. A resident mission was established in the Philippines, initially for one year, to work with government in planning and carrying out development projects. The mission members include experts in agriculture, industry, transport, corporate finance and statistics. The Bank has also agreed to provide advisers on management problems and on project evaluation to the "Caisse Algerienne de Developpement", an agency of the Algerian Government which finances development projects, as well as an adviser on project preparation to the Government of the Sudan. Small fact-finding Bank missions have also visited Ethiopia and Algeria (in the latter case supported for part of the time by experts from FAO and UNESCO) to work with the governments concerned on specific development problems and to explore longer-term needs for technical assistance.

The six new project or sector studies on which the Bank has embarked vary widely in character. In Tunisia, consultants are making a study of school designs and construction methods, and are designing three prototype schools, with a view to minimizing building costs. In Iran a team of experts is giving advice on the establishment and operation of an Electricity Authority. The Bank has also agreed to make a survey of transport requirements in Nepal. A study of long-term financial sources in Tunisia is being carried out, a preliminary survey of the capital market of Pakistan has been initiated, and a five-man mission, including experts from both the Bank and the IMF, is visiting Portugal to advise on budgetary and fiscal policies. In addition, work continued on a number of studies started previously. These include a study of coal transport in India, particularly in Bihar and West Bengal, a feasibility study of a new crossing over the Hooghly River near Calcutta, an essential part of the planning for the redevelopment of Calcutta, and a plan for improvement and expansion of the road network in the Northern Region of Nigeria. In Ecuador, the Bank is providing advisory assistance to the National Institute of Electrification in its organization and planning operations, and the consultants' contract was recently extended. In Chile, the Bank is studying the capital market to make it a more efficient instrument for mobilizing domestic resources for economic development. In the 12-month period under review, the study to formulate an investment programme for the improvement of transportation facilities in Taiwan and the study for the reorganization and reconstruction of the port of Port-au-Prince in Haiti were completed.

Co-operation with other U.N. Agencies

Another step to intensify assistance in the field of project preparation was taken in the negotiation of agreements between the Bank and FAO and the Bank and UNESCO, subject to approval by the appropriate intergovernmental bodies of the organizations concerned. These agreements embody working arrangements for cooperative programmes with these two organizations to assist governments in identifying and preparing agricultural and educational projects which the Bank may be willing to finance.

The Bank also acted as Executing Agency for a number of pre-investment studies being financed by the U.N. Special Fund. The Georgetown Bar Siltation and Erosion Study in British Guiana, the power survey in the Sudan, as well as the study of a regional telecommunications network for Central America, were completed in the 12-month period. The consultants' report on the latter project contemplates, among other things, a regional corporation to establish and operate proposed regional telecommunications facilities to connect the six national systems. The Bank is following the discussion of this proposal by the interested governments and various international agencies, since it is expected that the Bank will be asked to help finance the necessary new facilities. The consultants studying the feasibility of an alternative port for Bangkok have submitted their report. A possible extension of this study to an investigation of the development of the existing port facilities to meet Bangkok's immediate needs is under discussion. A number of Plans of Operations have been signed for projects for which the Bank had previously agreed to serve as Executing Agency, and in most cases work in the field is under way. These projects include a power survey in South Central Brazil, a survey of the possibilities of increased exploitation of the coal resources of the Cauca Valley in Colombia, a regional highway study in Paraguay, a port and railway survey in Costa Rica, and an iron ore transport survey in Gabon. The latter is to consist of two studies, to determine (a) the economic and technical feasibility of building a railroad to carry iron ore from a site in northeastern Gabon to a seaport near Libreville, and (b) the impact of the proposed railway on Gabon's economy. The Bank has also agreed to serve as Executing Agency for two additional projects, a port and transportation study in Surinam and a telecommunications study in Pakistan.

Development Advisory Service

The deployment of the members of the Development Advisory Service (DAS) continued. The Service, established in November 1961, consists of experts of broad qualifications and experience who can be posted to member countries as advisers on planning and other major problems of development policy. Members of the DAS are acting as resident advisers in Colombia, Ghana, Honduras, Libya, Nigeria, Pakistan, the Philippines and the Sudan; others are assigned to Bank headquarters; one has become the first Director of the Asian Economic Development Institute in Bangkok and another is serving as chief economist of a Bank survey mission. The flexibility afforded by the DAS group has facilitated the assignment of regular Bank staff members as advisers or resident representatives in Chile, Colombia, India, Kuwait, Malaysia, Peru and Thailand. The Bank has also been increasingly engaged in helping member governments to find qualified experts and advisers for various governmental posts.

Economic Development Institute

In the period under review, the Bank's Economic Development Institute added to its regular six months' course on development planning a programme of more specialized courses on project evaluation. The project courses were of two to three months' duration, with about 25 participants in each course. One such course was conducted in English and another in Spanish. A second course in English, placing special emphasis on industry, has just been started. In addition, the Institute held its ninth general course on development planning, and its second and third courses on development planning for participants from countries where French is the official language or the second language commonly used. To date, 191 officials have participated in the general courses on development planning and 83 officials in shorter courses on development and on project evaluation. These 274 participants came from 79 of the Bank's member countries.

Other Technical Assistance Activities

As reported last year, the Bank has donated economic development libraries in less-developed countries with a view to supplementing the work of the Economic Development Institute. Each of the libraries consists of approximately 400 books, articles and papers. The libraries were initially available in the English and then in the French language, and during the year the Bank began to distribute parts of a similar library in Spanish. At the suggestion of the Inter-American Development Bank which is contributing toward the cost of the Spanish library, books and materials in the Portuguese language are being substituted, where possible, in those libraries destined for Brazilian institutions.

The Bank continued to give assistance on the formulation of over-all programmes, to serve as a framework not only for investment but also for the adoption of policies and the creation of institutions conducive to economic growth. During the year the report of the general economic survey mission to Kenya was published. The mission to Papua and New Guinea returned to Washington and is completing its report; the general survey mission to Morocco, the 23rd of its kind, is still in the field. Also completed during the 12-month period was the study of the economic implications of the association of the Federation of Malaya, the State of Singapore and the British Borneo territories in the new Federation of Malaysia. The Bank also helped in working out arrangements for continued operation of the common public services in Northern and Southern Rhodesia and Nyasaland after December 31, 1963, the date of the dissolution of the former Central African Federation.

A monograph on planning in Pakistan was published by the Johns Hopkins Press for the Economic Development Institute. This, together with previously published case studies in Morocco and Yugoslavia, is part of a comprehensive study which the Bank is currently undertaking on the experience of some 50 member countries in the organization and implementation of development planning. The study is expected to be completed by the fall of 1964.

Coordination of Development Assistance

The Bank continued to sponsor meetings of the Consortia on Aid to India and Pakistan. Canada is a member of both consortia. Other members are Austria, Belgium, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States. The purpose of these consortia is to discuss on a multilateral basis the aid requirements of India and Pakistan and to raise sufficient funds to cover them.

The Bank also sponsors meetings of consultative groups to coordinate external assistance to less-developed countries. During the course of the year, a group was organized for the Sudan and Canada participated as an observer. Canada is a member of the groups for Nigeria and Colombia.

Indus Basin Development Fund

An agreement was reached during the year under review for the provision of supplemental resources for the Indus Basin Development Fund. The Indus group consists of the governments of Australia, Canada, the Federal Republic of Germany, New Zealand, the United Kingdom and the United States, and was established under the chairmanship of the Bank to provide resources required for the construction of the engineering works needed in Pakistan for the implementation of the Indus Waters Treaty between India and Pakistan. The additional foreign exchange resources to be provided to the Fund will aggregate a total of $315 million. The Canadian share, amounting to Canadian $16,810,794, will be contributed by Canada on a grant basis subject to parliamentary appropriations over the remaining eight years of construction.

It was also agreed that the Fund should finance a study of the water and power resources of West Pakistan as a basis for development planning in the water and power sectors of the economy. This major economic study will be organized and administered by the Bank.

Membership

During the year, Algeria, Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Gabon, Guinea, Kenya, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Trinidad and Tobago, Uganda and the Upper Volta became members of the Bank, raising the total membership at the end of March 1964 to 102.

Canadian Representation

The Canadian Governor of the Bank since May 2, 1963 is the Honourable Walter L. Gordon, Minister of Finance. Mr. Louis Rasminsky was the Canadian Alternate Governor of the Bank until March 26, 1964, when he was succeeded as Canadian Alternate Governor by Mr. A.F.W. Plumptre. At the ninth biennial election of Executive Directors in September 1962, Mr. A.F.W. Plumptre was elected Executive Director for a period of two years. Mr. L.D. Hudon is the Alternate Executive Director.

TABLE I

IBRD - LOANS

(April 1, 1963 through March 31, 1964)

| ry | Principal Amount (in millions of US dollars) | Date of Loan Agreement | Term | Interest Rate * | Purpose |
|---|---|---|---|---|---|
| s | $ 21.00 | April 17, 1963 | 20 yrs. | 5-1/2% | Power |
| o | 12.50 | April 29, 1963 | 20 yrs. | 5-1/2% | Irrigation |
| pore | 15.00 | May 16, 1963 | 20 yrs. | 5-1/2% | Power |
| land | 4.20 | May 16, 1963 | 20 yrs. | 5-1/2% | Power |
| bia | 8.80 | June 3, 1963 | 20 yrs. | 5-1/2% | Power |
| | 30.00 | June 5, 1963 | ** | *** | Industry |
| and | 35.00 | June 11, 1963 | 20 yrs. | 5-1/2% | Highways |
| lvador | 6.00 | June 19, 1963 | 20 yrs. | 5-1/2% | Power |
| bia | 30.00 | June 21, 1963 | 20 yrs. | 5-1/2% | Railways |
| lavia | 35.00 | June 21, 1963 | 20 yrs. | 5-1/2% | Highways |
| bia | 30.00 | June 28, 1963 | 15 yrs. | 5-1/2% | Industry |
| Rica | 22.00 | July 10, 1963 | 23 yrs. | 5-1/2% | Power and Telecommunications |
| bia | 5.00 | July 16, 1963 | 20 yrs. | 5-1/2% | Power |
| sia | 8.00 | July 15, 1963 | ** | *** | Industry |
| rk | 25.00 | July 24, 1963 | 20 yrs. | 5-1/2% | Power |
| sia | 51.90 | Aug. 7, 1963 | 25 yrs. | 5-1/2% | Power |
| | 7.50 | Sept. 6, 1963 | 20 yrs. | 5-1/2% | Power |
| nd | 7.00 | Sept. 18, 1963 | ** | *** | Industry |
| uela | 85.00 | Sept. 20, 1963 | 25 yrs. | 5-1/2% | Power |
| o | 40.00 | Sept. 20, 1963 | 20 yrs. | 5-1/2% | Highways |
| tius | 7.00 | Sept. 23, 1963 | 20 yrs. | 5-1/2% | Power |
| | 7.80 | Sept. 27, 1963 | 15 yrs. | 5-1/2% | Fisheries |
| | 75.00 | Sept. 27, 1963 | 26 yrs. | 5-1/2% | Highways |
| lvador | 9.50 | Oct. 1, 1963 | 20 yrs. | 5-1/2% | Telecommunications |
| y | 25.00 | Oct. 15, 1963 | 25 yrs. | 5-1/2% | Power |
| | 33.00 | Oct. 25, 1963 | 20 yrs. | 5-1/2% | Highways |
| lavia | 35.00 | Oct. 28, 1963 | 25 yrs. | 5-1/2% | Railways |
| gal | 7.50 | Nov. 6, 1963 | 25 yrs. | 5-1/2% | Power |
| gal | 5.00 | Nov. 6, 1963 | 20 yrs. | 5-1/2% | Power |
| ealand | 7.80 | Nov. 12, 1963 | 25 yrs. | 5-1/2% | Harbours |
| | 15.00 | Nov. 22, 1963 | 25 yrs. | 5-1/2% | Power |
| e | 19.00 | Dec. 18, 1963 | 15 yrs. | 5-1/2% | Agriculture |
| e | 5.00 | Dec. 18, 1963 | 15 yrs. | 5-1/2% | Agriculture |
| ia | 3.25 | Jan. 8, 1964 | 18 yrs. | 5-1/2% | Highways |
| bia | 45.00 | Feb. 7, 1964 | 35 yrs. | 5-1/2% | Power |
| land | 2.50 | March 11, 1964 | ** | *** | Industry |
| ealand | 32.50 | March 12, 1964 | 20 yrs. | 5-1/2% | Power |
| ia | 30.00 | March 12, 1964 | 20 yrs. | 5-1/2% | Power |
| TOTAL | $843.75 | | | | |

Includes 1% commission charged on all Bank loans.

There is no fixed schedule of repayment. Each part of the loan committed for a particular project will be repaid by semi-annual installments according to a schedule to be determined at the time of the commitment.

There is no fixed interest rate. Interest will be applied to each portion of the loan at the Bank's current rate when such portion is committed for a particular project.

TABLE II

Bond and Note Issues Sold or Arranged to be Sold
During the Period April 1, 1963 to March 31, 1964

| Issue and Maturity | Principal Amount in US$ Equivalent |
|---|---|
| **Payable in U.S. Dollars** | |
| 4% Two-Year Bonds of 1963, due 1965 | $ 100,000,000 (a) |
| 4-1/2% Twenty-Year Bonds of 1962, due 1982 | 4,500,000 (b) |

(a) The 4% Two-Year Bonds of 1963 refunded a $100 million issue of 4% Two-Year Bonds that matured on September 15, 1963.

(b) Issued under Delayed Delivery Agreements.

## INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation, established in July 1956, is an international financial institution with an authorized capital of $110 million. Of that total $99 million had, by March 31, 1964, been subscribed by the governments of the 78 member countries, including $3.6 million by Canada. Five new members joined the IFC during the year: Malagasy Republic, Uganda, Kenya, Korea, and Jamaica. Their combined subscriptions to capital amounted to $766,000.

### Investment Operations

IFC invests in productive private enterprises, and invests both for the expansion of existing enterprises and the creation of new ones. An outstanding feature of operations during the 12 months was the full use made by IFC of its powers, granted by the Board of Governors in 1961, to invest in share capital. During the report period, all of the investments made by IFC consisted wholly or in part of subscriptions to capital shares. Enterprises in which IFC became a shareholder included, among others, companies being established or expanded to manufacture steel products (in India and Venezuela), transmission cables (in India), textile machinery (in India and Nigeria), and heavy construction equipment (in Mexico).

The Corporation also continued to take the lead for the World Bank group of institutions in considering proposals for financial or technical assistance to private companies engaged in financing industrial development. On three occasions, IFC and the Bank jointly assisted development finance companies (in Finland, Malaya and Thailand), with the Bank supplying loan capital and IFC subscribing to equity shares. In addition, in Pakistan and Turkey IFC invested in capital shares of existing industrial finance companies which previously had borrowed from the Bank or the International Development Association (IDA).

A list of IFC's investments during the report period is given in Table I. Including underwriting and stand-by commitments, the Corporation made 12 new investments, totalling $14.3 million during the 12 months, and added a total of $182,529 to two investments already made. This compared with 12 investments totalling $21.8 million in the previous year. Investment commitments during the year helped to finance private industrial development finance companies, and private enterprises for the production of steel products, transmission cables, textile machinery and heavy equipment.

During the year, disbursements on investments were approximately $13.9 million; repayments of principal totalling $2.3 million were received; and the net earnings of the Corporation for the year amounted to $3.2 million (including profits and losses on sales of investments).

New private participations in IFC's investments during the year, including acquisition by others of securities covered by underwriting and stand-by commitments, amounted to $9.1 million. Purchasers included investors in Australia, Colombia, Finland, Kuwait, Malaysia, Mexico, Nigeria, Philippines, Switzerland, Bahamas (U.K.), United States and Venezuela.

As of March 31, 1964, the Corporation had authorized or completed 71 investments, net of cancellations and terminations, in 27 countries totalling $96.8 million, including 8 underwriting and stand-by commitments totalling $10.5 million. Sales of loans and equity investments from portfolio to private investors aggregated $19.8 million on March 31, and a further $7.1 million of securities covered by underwriting and stand-by commitments had been acquired by investors. Repayments to the Corporation by the same date aggregated $5.2 million. The total net investment commitments held by the Corporation at the end of March amounted to about $64.7 million, of which $17.0 million was undisbursed.

TABLE I

12 New Investments and 2 Additional Commitments
April 1, 1963 - March 31, 1964

| y | Type of Business | AMOUNT (Net of Cancellations) Loan | Equity | Total* |
|---|---|---|---|---|
| ia | Corporacion Financiera Nacional (Industrial financing) (Additional investment) | $ | $ 42,000[1/] | $ 42,000 |
| d | Teollistamisrahasto Oy (Industrial financing) | | 317,288 | 317,288 |
| | Fort Gloster Industries Limited (Transmission cables) | 812,000 | 399,000 | 1,211,000 |
| | Mahindra-Ugine Steel Company Limited (Steel products) | 2,310,000 | 1,140,001 | 3,450,001 |
| | Lakshmi Machine Works Limited (Textile machinery) | 960,000 | 420,000 | 1,380,000 |
| ia | Malaysian Industrial Development Finance, Limited (Industrial financing) | | 1,307,917 | 1,307,917 |
| | Industria del Hierro, S.A. (Heavy equipment) | | 1,601,281 | 1,601,281 |
| a | Nigerian Industrial Development Bank Limited (Industrial financing) | | 1,400,000 | 1,400,000 |
| a | Arewa Textiles Limited (Textiles) | 442,400 | 327,678 | 770,078 |
| an | Pakistan Industrial Credit and Investment Corporation Limited (Industrial financing) | | 449,400 | 449,400 |
| nd | Industrial Finance Corporation of Thailand (IFCT) (Industrial financing) | | 193,109 | 193,109 |
| | Turkiye Sinai Kalkinma Bankasi A.S. (Industrial financing) | | 916,667 | 916,667 |
| ela | C.A. Venezolana de Desarrollo (Sociedad Financiera) (Industrial financing) | | 1,325,967 | 1,325,967 |
| ela | Siderurgica Venezolana "Sivensa" S.A. (Steel products) (Additional investment) | | 140,529[2/] | 140,529 |
| | | $4,524,400 | $9,980,837 | $14,505,237 |

Dividend on previous investment taken in stock.

Original investment made in June 1960.

NOTE: Of these investments, a total of $648,493 of equity covered by standby commitments has been acquired by other investors.

## INTERNATIONAL DEVELOPMENT ASSOCIATION

### Credit Operations

The International Development Association (IDA) continued to provide substantial financial assistance to important development projects in its member countries. During 1963-64, IDA extended 14 credits amounting to the equivalent of $154.2 million (Table I) in seven member countries mainly for agricultural improvement, water supply, highways and technical training facilities. Including two new recipients of IDA credits - the Syrian Arab Republic and Tanganyika - the number of countries or territories which have received IDA credits rose to 20. All of the credits are for a period of 50 years, including a ten-year grace period, and carry no interest charge. Repayment is at the rate of 1% per annum from the eleventh to the twentieth year and 3% per annum for the final 30 years. A service charge of 0.75% per annum, payable on the amounts withdrawn and outstanding, is charged to meet administrative costs.

### Membership

During the year the following 17 countries joined IDA: Algeria, Burundi, Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Gabon, Kenya, Laos, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Uganda and Upper Volta. This brought IDA's membership to 91 countries with total subscriptions amounting to the equivalent of $986 million of which $767 million was to be paid in convertible form. In addition, the Swedish Parliament approved a supplementary contribution equivalent to $4.3 million to IDA in March 1963, to be made available in July 1963. This was the second supplementary contribution to IDA's resources from Sweden. This second contribution was made available on the same terms as those that applied to the first, a contribution of $5.8 million made in 1962.

### Replenishment of Resources

At the 1962 Annual Meeting, the Board of Governors requested the Executive Directors to prepare a report on the prospective financial requirements of IDA over the coming years with a view to replenishing these resources through additional contributions by member countries. The Executive Directors submitted their report to the Board of Governors at their 1963 Annual Meeting. The report noted that the resources pledged to the Association in convertible currency amounted to the equivalent of $775 million. Of this total, $765 million was provided by member countries as initial subscriptions and $10 million was made available to the Association by Sweden as special supplementary contributions. By the end of June 1963, the Association had effectively committed $582 million leaving a carry-over of $193 million in freely convertible currencies available for new commitments. On the basis of the specific projects under active consideration, it appeared that this amount of resources would support new commitments for only about six to nine months.

Extended discussions were held among governments concerning the aggregate amount of additional freely useable resources that should be made available to the Association. In the light of these discussions it appeared that the countries listed below were prepared, subject to any necessary legislative action, to make available to the Association new resources

aggregating $750 million in freely useable currencies, payable in three equal annual instalments commencing in 1965. This amount, together with the balance of the initial resources of the Association which remained uncommitted, would allow the Association to commit funds to new projects at the rate of approximately $300 million per year over the three years commencing on July 1, 1964. The amount that each country indicated that it would be prepared to contribute is as follows:

| Country | (U.S.$)* |
|---|---|
| Australia | 19,800,000 |
| Austria | 5,040,000 |
| Belgium | 16,500,000 |
| Canada | 41,700,000 |
| Denmark | 7,500,000 |
| Finland | 2,298,000 |
| France | 61,872,000 |
| Germany | 72,600,000 |
| Italy | 30,000,000 |
| Japan | 41,250,000 |
| Luxembourg | 750,000 |
| Netherlands | 16,500,000 |
| Norway | 6,600,000 |
| South Africa | 3,990,000 |
| Sweden | 15,000,000 |
| United Kingdom | 96,600,000 |
| United States | 312,000,000 |
| Total | 750,000,000 |

* In terms of United States dollars of the weight and fineness in effect on January 1, 1960.

A number of countries listed, including Canada, have yet to obtain parliamentary approval before they can definitely pledge themselves to making additional contributions to the Association.

TABLE I

IDA CREDITS

(April 1, 1963 through March 31, 1964)

| Country | Principal Amount (in millions of US dollars) | Purpose |
| --- | --- | --- |
| India | $ 20.00 | Power |
| Turkey | 20.00 | Irrigation |
| Pakistan | 5.00 | Flood Control |
| Pakistan | 9.00 | Irrigation |
| Pakistan | 26.00 | Water Supply |
| Pakistan | 24.00 | Water Supply |
| Jordan | 3.50 | Water Supply |
| Jordan | 3.00 | Agriculture |
| Tanganyika | 4.60 | Education |
| Syria | 8.50 | Highways |
| Paraguay | 3.60 | Agriculture |
| Tanganyika | 14.00 | Highways |
| Pakistan | 4.50 | Education |
| Pakistan | 8.50 | Education |
| TOTAL | $154.20 | |

To His Excellency,

General The Right Honourable Georges P. Vanier, D.S.O., M.C., C.D.,

Governor-General of Canada.

May it please your Excellency:

The undersigned has the honour to present to Your Excellency a report on operations under the Bretton Woods Agreements Act and International Development Association Act during the calendar year 1964.

All of which is respectfully submitted.



Walter L. Gordon

Minister of Finance.

Ottawa,

# REPORT ON
# OPERATIONS UNDER THE
# BRETTON WOODS AGREEMENTS ACT
# AND
# INTERNATIONAL DEVELOPMENT ASSOCIATION ACT
# DURING THE
# CALENDAR YEAR 1964

Introductory Note

The present report contains a summary of the operations of the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association during the period January 1 through December 31, 1964. The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions, other than the IDA, is contained in the report on operations during the fiscal year 1958-59. A similar description for IDA was contained in the 1960-61 report.

The first two organizations were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the International Monetary Fund and the International Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended.

The International Finance Corporation was set up in 1956 as an affiliate of the International Bank by means of separate Articles of Agreement, to which Canada is a party.

The Agreement by which the International Development Association was established came into force in September 1960. Canadian participation in the Association, which is an affiliate of the International Bank, was authorized by the International Development Association Act, 1960.

The four organizations are closely linked in membership and general fields of endeavour. Membership in the International Monetary Fund is a prerequisite for membership in the International Bank for Reconstruction and Development, and membership in the International Bank is a prerequisite for membership in the International Finance Corporation and the International Development Association. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C.

The IMF and IBRD use the U.S. dollar as their basic unit of account, and dollar figures throughout the report are therefore expressed in terms of U.S. dollars, unless otherwise indicated.

INTERNATIONAL MONETARY FUND

1. 1964 Annual Meeting

The Nineteenth Annual Meeting of the Board of Governors was held in Tokyo, Japan, from September 7 through September 11, 1964, under the chairmanship of Francisco Aquino h., Governor for El Salvador. In the address of the Managing Director, presenting the Fund's Annual Report, and in the discussions of the Governors particular attention was focused on the problem of international liquidity and the role of the Fund in international monetary affairs. This exchange of views was based principally on the analysis and conclusions of the Executive Directors, which formed a section of the Fund's Annual Report for 1964, and on the report issued as an Annex to the Statement of the Ministers and Governors of the Group of Ten countries, including Canada, that participate in the General Arrangements to Borrow. Both reports were released to the public in August 1964. The Governors also discussed, inter alia, special problems of the developing countries, including development financing and balance of payments difficulties. At the close of the discussion, the Governors unanimously adopted a resolution directing the Fund's Executive Directors to consider the question of adjusting the quotas of members of the Fund and at an early date to submit an appropriate proposal to the Board of Governors.

During the period of the Meeting, the Governors of the Group of Ten industrial countries (Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States) met in Tokyo, together with the Managing Director of the International Monetary Fund, the Secretary General of the Organization for Economic Cooperation and Development, the General Manager of the Bank for International Settlements, and the President of the Swiss National Bank. They reviewed developments in the international situation, and recalled their views, expressed in the Ministers' Statement of August 1964, supporting a prospective increase in Fund quotas.

The Tenth Regular Election of Executive Directors was held during the Annual Meeting. In accordance with a resolution of the Board of Governors, the total number of Executive Directors, appointed and elected, was increased to 20 at the time of this election.

At the closing session, the Governor for Ethiopia was elected Chairman for the ensuing year and the Governors for Brazil and Norway were elected Vice-Chairmen. The 1965 Annual Meeting will be convened in Washington, D. C., on September 27, 1965.

2. Canadian Representation

The Honourable Walter L. Gordon, Minister of Finance, has served as Governor of the Fund for Canada since May 2, 1963, and Mr. Louis Rasminsky, Governor of the Bank of Canada, has served as Alternate Governor since August 16, 1961. Mr. A.F.W. Plumptre was re-elected Executive Director for Canada at the biennial election of Executive Directors held at the Annual Meeting. Mr. S.J. Handfield-Jones succeeded Mr. L. Denis Hudon as Alternate Executive Director to Mr. Plumptre on August 1, 1964.

. Membership

Kenya became a member of the Fund on February 3, 1964. On April 2, 1964, Cuba notified the Fund of its withdrawal from membership, which became effective on that date. At the end of 1964, the total number of members was 102. Applications for membership from Malawi and Zambia are pending. Upon notification to the effect that the Republic of Tanganyika had formed a constitutional union with Zanzibar, which had applied for membership in the Fund, and after subsequent confirmation by the United Republic of Tanganyika and Zanzibar that its obligations under the Articles of Agreement of the Fund are, without limitation, legally binding, the Executive Directors decided that the United Republic of Tanganyika and Zanzibar (now known as the United Republic of Tanzania) was a member of the Fund.

. Acceptance of Obligations of Article VIII

During the period under review, Japan and Nicaragua formally accepted the obligations of Article VIII, Sections 2, 3 and 4, bringing to 25 the number of members, including Canada, that have accepted these obligations. These members undertake to obtain the Fund's agreement before adopting restrictions on payments for current international transactions or engaging in multiple currency practices or discriminatory currency arrangements. Under Article XIV, Fund member countries are able, as a transitional arrangement, to maintain and adapt exchange restrictions without obtaining prior Fund approval.

. General Arrangements to Borrow

Canada notified the Fund on January 21, 1964 of its adherence to the General Arrangements to Borrow, under which ten industrial members of the Fund will make available to the Fund supplementary resources up to the equivalent of $6 billion, if needed to forestall or cope with an impairment of the international monetary system. The amount which Canada would be prepared to lend under this agreement would be the equivalent of US$200 million.

On June 11, 1964, Switzerland, which is not a member of the Fund, entered into an agreement with the Fund which associated that country with the General Arrangements to Borrow. Under this agreement, which took the form of an exchange of letters between the Swiss Ambassador to the United States and the Managing Director of the Fund, Switzerland undertook to give support, which could be on a reciprocal basis, directly to any participant in the General Borrowing Arrangements for whose benefit the Arrangements are activited, provided that the participant had entered into a bilateral agreement for that purpose with Switzerland. The total of such support to all participants, outstanding at any one time, may not exceed the equivalent of US$200 million.

The General Arrangements to Borrow was activated on December 2, 1964, in connection with a drawing by the United Kingdom under its stand-by arrangement with the Fund, discussed below. Switzerland also made currency available to the United Kingdom on a swap basis, in accordance with the agreement between Switzerland and the Fund.

The participants, together with the amounts which they were prepared to lend and the amounts borrowed, are shown in the following Table:

GENERAL ARRANGEMENTS TO BORROW

as at December 31, 1964
(In millions of U. S. dollars)

| Participant | Maximum Amounts of Credit Arrangements | Amounts Borrowed | Balance Available Under Credit Arrangements |
|---|---|---|---|
| Belgium | $ 150 | $ 30 | $ 120 |
| Canada | 200 | 15 | 185 |
| Deutsche Bundesbank | 1,000 | 180 | 820 |
| France | 550 | 100 | 450 |
| Italy | 550 | 5 | 545 |
| Japan | 250 | 20 | 230 |
| Netherlands | 200 | 40 | 160 |
| Sveriges Riksbank | 100 | 15 | 85 |
| United Kingdom | 1,000 | - | 1,000 |
| United States | 2,000 | - | 2,000 |
| Total: | $6,000 | $405 | $5,595 |

6. Compensatory Financing of Export Fluctuations

In view of the generally favorable trend during the past year in export receipts of primary producing countries, no drawings were made during the year under the Fund's facility designed to broaden its short-term balance of payments support of member countries, particularly those exporting primary products, which experience temporary declines in their export earnings.

The Compensatory Financing Decision also provided that sympathetic consideration would be given to requests for quota adjustments from countries exporting primary products, especially those with smaller quotas, in order to make these more appropriate in the light of export fluctuations and other relevant criteria. Under this provision, increases in the quotas of three members were approved and put into effect, and increases were approved for four other members, as described below.

7. Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programs, often in conjunction with financial assistance from other sources; furthermore, the Fund has provided compensatory financing to cover export

shortfalls. Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit and within a specified period.

From the beginning of the Fund's operations to December 31, 1964, 56 members have made foreign exchange drawings equivalent to $9,028.9 million. During the year under review, there were drawings by 22 members amounting to the equivalent of $1,949.8 million, compared to drawings of $333.2 million during the previous year.

The United Kingdom made the largest single drawing on the Fund during the year, equivalent to $1,000 million, of which $69 million was made in Canadian dollars. In this connection, the Fund borrowed the equivalent of $405 million from eight participants in the General Arrangements to Borrow, including $15 million borrowed from Canada. On the same date, the Fund sold the equivalent of $250 million in gold to replenish its holdings in ten currencies; $9 million was sold to Canada.

In addition, Italy drew $225 million, of which $20 million was drawn in Canadian dollars, and the United States drew $525 million; thus, three industrial countries drew $1,750 million.

Of the total purchases made during 1964, $281.9 million or 14.5 per cent was in U.S. dollars, compared to $193.7 million or 58.1 per cent in 1963; the equivalent of $54.5 million was in Austrian schillings, $91.5 million in Belgian francs, $99.0 million in Canadian dollars, $356.8 million in French francs, $718.1 million in deutsche mark, $31.3 million in Italian lire, $54.0 million in Japanese yen, $143.5 million in Netherlands guilders, $62.5 million in Spanish pesetas, $49.5 million in Swedish kronor, and $7.3 million in pounds sterling (Table I). During the year $281.2 million was purchased in accordance with arrangements for immediate drawings, and $1,668.7 million was drawn by 15 members in accordance with existing stand-by arrangements (Table II). The amounts not drawn but available under stand-by arrangements at December 31, 1964 totalled $685.5 million.

Any drawing or stand-by arrangement exceeding 25 per cent of a member's quota within any 12-month period (except to the extent that the Fund holds less of the member's currency than 75 per cent of its quota), and any drawing or stand-by arrangement which would increase the Fund's holdings of that currency to more than 200 per cent of the quota, require - under Article V, Section 4, of the Articles of Agreement - the grant of a waiver in favour of the member. Waivers under Article V of the Fund agreement were granted in connection with all of the stand-by arrangements made in the period under review (except in the case of Colombia, Turkey, ad the United States); a waiver was also granted in the case of the immediate drawing by Sudan.

The schedule of Fund charges on purchases of exchange, which was revised as of May 1, 1963, was extended for one year by the Executive Board (Table IV).

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. From the beginning of the Fund's operations to December 31, 1964, repurchases totalled $5,633.5 million. Repurchases amounting to $498 million were made by 29 members between January 1, 1964 and December 31, 1964 (Table III). This amount included the equivalent of $166 million repurchased by Canada in the following currencies: $30 million in French francs, $112.15 million in deutsche mark, $25 million in Netherlands guilders, $0.05 million in pounds sterling. In addition, the Fund refunded to Canada an amount of $1.20 million in U.S. dollars in respect of an excess repurchase made on a provisional basis in the previous year.

On December 31, 1964, the Fund's holdings of member currencies (including non-negotiable, non-interest bearing notes) were equivalent to $12,598.0 million, of which $3,355.6 million was in U.S. dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement, at December 31, 1964 amounted to the equivalent of $11,005.8 million, of which $2,979.3 million was in gold. On that date the largest holding of a convertible currency other than U.S. dollars was in pounds sterling and was equivalent to $2,465.9 million. The Fund's holdings of Canadian dollars at the end of December 1964 amounted to 67 per cent of Canada's quota of $550 million.

8. Exchange Restrictions and Related Matters

The Fifteenth Annual Report on Exchange Restrictions published in July, 1964 surveyed the developments in exchange practices and other arrangements affecting trade and payments throughout the world during 1963 and the first three months of 1964, and described the main features of the exchange systems of all Fund members, five non-metropolitan territories, and two other countries.

The Report noted that, as in the immediately preceding years, the intensity of exchange restrictions differed broadly between the developed and developing countries. The industrial countries were able to maintain their external economic relations with few significant limitations on the acquisition or use of foreign exchange for current transactions, while very many low income countries in the process of development found it necessary to continue to rely on such restrictions, sometimes in combination with multiple currency practices or similar devices. After indicating shifts in the payments positions of the United States and certain other industrial countries, the Report stated that one of the most encouraging developments had been an improvement in the export earnings of a number of primary producing countries. Most of the developing countries, however, still had low foreign exchange reserves or had encountered difficulties in accumulating such reserves. The Report reviewed developments in trade and payments restrictions and discrimination, bilateral payments agreements, multiple currency practices, import surcharges and advance deposits, and restrictions regarding capital. It also reviewed developments under the regional agreements in force among Fund members. The Report finally pointed out that the high degree of liberalization of trade and payments

attained by many industrial countries offered the opportunity to simplify the existing exchange control arrangements. It also stated that the progress of developing countries toward the removal of remaining restrictions in many cases hinged mainly upon the adoption of economic and other measures in the domestic field. The Fund would continue to cooperate with the member countries in their efforts to adopt such measures.

During the remaining months of 1964 there was further liberalization of imports and import payments among the more highly industrialized countries. Among less developed countries, however, there was tendency toward an increase in restrictions, both to correct adverse balance of payments situations and for the protection of domestic industry. A number of these countries took comprehensive action to limit payments by placing restrictions on imports, on current invisible transactions, and on capital transactions. There was no marked change in the degree of reliance placed on multiple currency practices, but rates depreciated in several countries maintaining fluctuating rate systems. There was on balance little further liberalization of restrictions on invisible payments. There was some progress in the elimination of bilateral payments agreements maintained by industrialized countries, but there was increased reliance on bilateralism on the part of less developed countries, particularly newly independent countries. Several countries reduced import discrimination, some of them after disinvoking Article XXXV of the GATT in relation to Japan. There were frequent changes in advance import deposit requirements and increased use of import surcharges. To keep long-term interest rates that were low by international standards from encouraging a capital outflow, the United States enacted an interest equalization tax -- from which Canada was exempted -- which, in effect, raised the cost of U.S. capital to some foreign borrowers by the equivalent of 1 per cent per annum.

9. Consultations in 1964

Members of the Fund which continue to maintain exchange restrictions under Article XIV of the Fund Agreement are required to consult with the Fund annually as to the further retention of such restrictions. These Consultations continued to provide opportunities for the examination of the economic and financial problems which have given rise to restrictive and discriminatory practices, and the Fund continued its endeavours to help in their elimination. Moreover, in pursuance of the decision of the Fund's Executive Board on Article VIII, consultations were completed with most of the countries that have accepted the obligations of Article VIII of the Fund Agreement. The discussions have included exchanges of views on monetary and fiscal developments, and these have enabled the Fund to further the objective of securing the fullest possible degree of consultation and collaboration on international monetary problems. In connection with nearly all of these consultations and discussions, Fund missions have visited the member countries concerned. Consultation discussions between the Fund staff and Canadian representatives were held in Ottawa during January 1964 and January 1965.

10. Quotas

The quotas of six members were increased during 1964: the Dominican Republic, from $15 million to $25 million;

Ecuador, from $15 million to $20 million; Israel, from $25 million to $50 million; Italy, from $270 million to $500 million; the Syrian Arab Republic, from $15 million to $25 million; and the United Arab Republic, from $90 million to $120 million. The Board of Governors also approved requests for increases in quotas submitted by Costa Rica, from $15 million to $20 million; Ghana, from $35 million to $55 million; Iraq, from $15 million to $55 million; Malaysia, from $37.5 million to $100 million in three installments; Panama, from $0.5 million to $11.25 million; and the Sudan, from $15 million to $45 million. These will go in effect upon receipt of formal consents to the increases from the respective members, and the completion of other requirements specified by the Board of Governors.1/ With the exception of Israel, Italy, Malaysia, and Panama, the increases were considered under the terms of the Decision on Compensatory Financing of Export Fluctuations mentioned above. The aggregate of quotas on December 31, 1964 was US$15,849.5 million.

The fourth quinquennial review of quotas, required under Article III, Section 2 of the Fund Agreement, was instituted by the Executive Directors in the fall of 1964. The Governors' resolution on adjustment of quotas adopted at the Nineteenth Annual Meeting, mentioned above, was considered in connection with the review, as were the requests of a number of members for special increases in their quotas. The proposals of the Executive Directors for a general increase of 25 per cent in members' quotas, and for larger increases for 16 countries, including Canada, were transmitted to the Governors in February 1965 for their consideration.

1. Par Values

An initial par value was established by agreement between the Fund and the Government of Tunisia, effective September 28, 1964, at the rate of D 0.525000 per U.S. dollar.

In order to extend access to the Fund's resources to new members, and to encourage the establishment of realistic exchange rates and ultimately realistic par values, the Executive Directors recommended, and the Governors approved on June 1, 1964, an amendment of the terms and conditions prescribed in the membership resolutions of those members that have not yet agreed initial par values with the Fund. This amendment authorizes the Executive Directors to permit exchange transactions with the member prior to the establishment of an initial par value with the Fund, under such conditions and in such amounts as may be prescribed by the Executive Directors. The Directors decided that this provision should also be incorporated in future membership resolutions, and agreed on guidelines for implementing the provision.

1/As of March 18, 1965, the increases in the quotas of Costa Rica, Ghana, Iraq, Panama, and the Sudan had become effective.

2. Gold Transaction Services

The Fund, since March 1952, has provided its members with a regular technical service which permits purchases and sales of gold with a saving in cost. Members intending to buy or sell gold and wishing to use the Fund's service are requested to furnish the Fund confidentially with all the necessary information as far in advance as possible. For the service of matching buyers and sellers, the Fund asks each partner in a completed transaction to pay a charge of 1/32 of 1 per cent in dollars. The Fund pays the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of gold from the seller's account to the buyer's account with that depository. This service has been extended to include five international organizations and several non-member countries1/ among those who are permitted to use it.

Since March 1952, the central banks of 26 member countries and five international organizations have effected purchases and sales of gold through the facilities provided by this service. During the period under review one transaction was completed by the Fund. Since the Fund's gold transaction service was authorized in March 1952, transactions equivalent to $1,093 million have been completed.

3. Gold Subsidies

The gold subsidy programs of the Governments of Australia, Canada, and the Philippines, discussed in previous Reports, have continued in operation during the past year.

In April 1964, Canada consulted the Fund concerning the extension of its Emergency Gold Mining Assistance Act to the years 1964, 1965, 1966, and 1967. The new Canadian legislation contains provisions under which new lode gold mines commencing production after June 30, 1965 will be eligible for assistance only if the mine provides direct support to an existing gold mining community.

South Africa also consulted the Fund regarding the granting of assistance to certain marginal gold mines for one year through June 1964, mainly to meet the cost of pumping water from interconnected underground workings. In April 1964, the South African Government requested approval of this scheme for a further year, and also approval of further assistance for marginal gold mines, which unless assisted would be forced to abandon substantial tonnages of ore. This further assistance is to be made available in the form of unsecured loans granted by the State to cover working losses up to a maximum of 10 per cent of revenue, as well as for certain capital expenditure approved by the Government Mining Engineer, e.g., for shaft sinking, major development, and the purchase of items such as refrigeration or compressed air plants.

The United Kingdom consulted the Fund on behalf of Southern Rhodesia with regard to an Act approved by the Government of Southern Rhodesia on December 30, 1963, which provides for the granting of financial assistance to potentially economic gold mines in Southern Rhodesia during the period

1/These countries, with one exception, have since become members of the Fund.

September 1, 1963 to August 31, 1968. These mines are those from which gold is being or will be mined at a loss, but from which gold may, at some future time, be mined at a profit. The Minister of the Treasury has discretion both as to the eligibility of mines and the amount of any proposed financial assistance.

The Fund deemed the revised arrangements adopted by Canada and the new arrangements adopted by South Africa and Southern Rhodesia to be consistent with the objectives of the Fund's statement of December 11, 1947 on gold subsidies.

14. Relations With Other International Organizations

Many of the organizations with which the Fund has related interests and maintains particularly close contacts -- the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), and the Inter-American Development Bank (IDB) -- were represented at the joint Annual Meetings in Tokyo of the Fund and the International Bank for Reconstruction and Development (IBRD), with which the Fund has a special relationship. Fund representatives attended meetings of these organizations and continued direct working relationships with their staffs.

The Managing Director addressed the UN Conference on Trade and Development shortly after it convened in Geneva in March 1964 and Fund representatives attended the meetings of the Conference. Fund representatives also attended other UN meetings, including the 19th Session of the General Assembly, the 37th Session of the Economic and Social Council, the 13th Session of the Governing Council of the Special Fund, and meetings of the Economic Commissions for Africa (ECA), Asia and the Far East (ECAFE), and Europe (ECE). The Managing Director and Deputy Managing Director attended meetings of the Administrative Committee on Coordination. Members of the staff also participated in meetings of the UN Inter-Regional Workshop on Problems of Budget Classification and Management in Copenhagen, and the UN Inter-Agency Meeting on Selected Management Problems in Paris.

The Fund, in cooperation with the IBRD, assisted the UN Economic Commission for Africa in making arrangements for, and was represented at, a meeting of African monetary authorities in Tokyo, held after the joint Annual Meetings, and Fund representatives attended the inaugural meeting of the African Development Bank in Lagos, Nigeria.

Following the extension of existing arrangements for cooperation with the Organization for Economic Cooperation and Development, Fund representatives have attended meetings of its Economic Policy Committee's Working Party 3, which is concerned with policies for the promotion of better international payments equilibrium.

In the Latin American area, Fund representatives attended the 3rd annual meetings, in Lima, Peru, of the Organization of American States' Inter-American Economic and Social Council at the Expert and Ministerial Levels, the 5th annual meeting of the Board of Governors of the Inter-American Development Bank in Panama City, Panama, and the 10th annual meeting of the

Inter-American Council for Commerce and Production in Santiago, Chile. Fund staff members participated informally in an advisory capacity in a series of meetings of the Organization of American States' Inter-American Committee for the Alliance for Progress (CIAP) held in Washington, and in the 8th operational meeting of the Latin American Center for Monetary Studies (CEMLA), in Caracas, Venezuela.

The Fund sent representatives to the Conference of Experts on an African Payments Union in Tangier and the 51st Conference of the International Law Association in Tokyo. A staff member also participated in the Asian Bankers' seminar arranged in Teheran by the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce.

Fund missions have attended sessions, including the 21st Session in February 1964, and other meetings of the CONTRACTING PARTIES to the GATT in Geneva during the period under review. The CONTRACTING PARTIES consulted the Fund in connection with their consultations with individual governments on import restrictions maintained for balance of payments reasons. The Fund was also consulted in connection with other matters where balance of payments matters were involved. The Fund transmitted to the CONTRACTING PARTIES the decisions and background material resulting from its own consultations with the various governments consulting under the balance of payments provisions of the GATT, and Fund missions cooperated with the Committee conducting the GATT consultations.

15. Cooperation with Members, Including Technical Assistance

The Fund has continued to give advice and assistance to members, both in connection with its continuing consultations and discussions with members, and in response to requests by member governments in special and technical fields. Matters on which the Fund has cooperated with its members in this way include implementation of financial and stabilization programs, analysis of exchange and monetary problems, review of aspects of restrictive systems, introduction of a new exchange system and implementation of exchange control legislation, and formulation of a national budget.

In the field of statistics, the Fund staff held a meeting, at the Paris Office in February 1964, of balance of payments experts from OECD countries to study problems of balance of payments statistics, especially those related to international transportation. This meeting followed one convened by the OECD to discuss a common IMF-OECD questionnaire to be used for balance of payments reporting to both organizations. A survey team visited Central America to assist in the organization and reporting of statistics for the member countries of the Central American Monetary Agreement.

During the year the Fund substantially increased its capacity to provide technical assistance to member countries. In order to meet an emerging need, the Fund established a Central Banking Service, which will provide advice on problems arising in connection with the establishment of new central banks, and through which experts can be made available to assist newer central banking institutions in various specialized fields. The experts may serve either in executive and operational positions or as advisors, and may be assigned

for periods of a few months to a year or two. They are recruited with the cooperation of experienced central banks in many member countries. The Fund and the requesting institution together meet the cost of the experts' services. In 1964 the Central Banking Service has made available the services of experts to four countries in Africa and one in the Middle East and has further assisted some of these countries in drafting their central banking legislation.

The Fund also began to build up a group of experts qualified in the fields of taxation, budgeting, and financial control, to help countries which would like assistance in dealing with their fiscal problems. A Fiscal Affairs Department was established in May 1964 to help countries, by expert analysis and advice, to deal with their fiscal problems; by the end of the year it had responded to four requests for technical assistance in connection with reforms in tax and budgetary policy fields and with appraisals of the need for further Fund technical assistance.

The Managing Director visited several of the Latin American members of the Fund in the early part of the year and a number of countries in Asia and in Europe immediately after the close of the Annual Meeting in Tokyo. The Deputy Managing Director visited 4 members in the South Pacific and Far East en route to the Annual Meeting.

During the period under review, other members of the staff visited 85 countries for purposes of consultations, technical assistance, or for the informal exchange of views and information. Periods of assignment ranged from two weeks to a year or longer. In 10 of these countries, staff members were made available on long-term assignments.

16. Training Program

One of the channels for providing technical assistance to member countries has been the Fund's Training Program, which, in the first half of 1964, had its first Canadian participant. Over the years, this program has been expanded from time to time in response to evident needs. In May 1964, a further major step was taken in raising this operation to departmental status, increasing the size of the teaching staff, revising the content of the material offered, and expanding the instruction into languages other than English.

During the first few months of its existence, the IMF Institute organized two special courses, conducted in French, to which governments of countries that had recently joined the Fund were each invited to send one high level official. Sixteen French-speaking countries in Africa, and Laos, accepted the invitation. The IMF Institute is now preparing its first regular course on Financial Policy and Analysis, which will be conducted in English and will last from March 15 until the end of July. Twenty-six participants, of whom all but a few are from developing countries, have been selected to take part in this course.

17. Publications

International Monetary Problems, 1957-63, a collection of speeches made by the late Per Jacobsson during his tenure of office as Managing Director of the Fund, was published in March 1964.

The Direction of Trade: Annual 1958-62 was published in April 1964. This was the first issue of a new publication, issued monthly in conjunction with the International Bank for Reconstruction and Development, to replace Direction of International Trade, previously published by the Fund, the Bank, and the United Nations.

In June 1964 the Fund, jointly with the International Bank for Reconstruction and Development, published the first issue of a new quarterly, The Fund and Bank Review: Finance and Development, the purpose of which is to report on the activities of the two institutions to interested non-experts. French and Spanish translations are also published. The second and third issues appeared in September and December. The Review is distributed free of charge. Other new publications have been the first three of a series of pamphlets descriptive of the work of the Fund: Introduction to the Fund; The International Monetary Fund: Its Forms and Functions; and The International Monetary Fund and Private Business Transactions: Some Legal Effects of the Articles of Agreement. French and Spanish translations of all three are in preparation, as is a German translation of the first.

Regular publications issued were:

Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1964 (Nineteenth Annual Report). Shortened versions were published in French, German, and Spanish

By-Laws and Rules and Regulations, 24th Issue

Fifteenth Annual Report on Exchange Restrictions

Summary Proceedings of the Nineteenth Annual Meeting of the Board of Governors

International Financial Statistics (monthly and annual issue)

International Financial News Survey (weekly)

Staff Papers, Vol. XI, Nos. 1, 2 and 3

Balance of Payments Yearbook, Vol. XV completed and parts of Vol. XVI issued

Schedule of Par Values, 38th Issue

Drawings on the Fund by Currency

January 1, 1964 - December 31, 1964
(Millions of U. S. dollars equivalent)

| Member Drawing | *Total | Austrian Schillings | Belgian Francs | Canadian Dollars | French Francs | Deutsche Mark | Italian Lire | Japanese Yen | Netherlands Guilders | Spanish Pesetas | Swedish Kronor | Pounds Sterling | U.S. Dollars |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Afghanistan | 5.63 | | | | | 1.00 | | | | | | | 4.63 |
| Chile | 20.00 | | | | 5.00 | 15.00 | | | | | | | |
| Colombia | 7.50 | | | | | | | | | 7.50 | | | |
| Cyprus | 1.95 | | | | | | | | | | | | 1.95 |
| Dom. Rep. | 15.00 | | | | | | | | | | | | 15.00 |
| Haiti | 3.00 | | | | | | | | | | | | 3.00 |
| Honduras | 5.00 | | | | | | | | | | | | 5.00 |
| Iran | 17.50 | | | | | | | | | | | | 17.50 |
| Israel | 12.50 | | | | | | | | | | | | 12.50 |
| Italy | 225.00 | 10.00 | 20.00 | 20.00 | 50.00 | 80.00 | | | 20.00 | 15.00 | 10.00 | | |
| Liberia | 3.80 | | | | | | | | | | | | 3.80 |
| Mali | 4.95 | | | | 4.95 | | | | | | | | |
| Morocco | 13.13 | | | | 6.56 | 6.56 | | | | | | | |
| Nicaragua | 12.00 | | | | | | | | | | | | 12.00 |
| Somalia | 4.70 | | | | | | 2.83 | | | | | 1.87 | |
| Sudan | 5.45 | | | | | | | | | | | 5.45 | |
| Syrian A.R. | 18.50 | | | | | 12.00 | | | | | | | 6.50 |
| Tunisia | 5.25 | | | | 4.50 | .75 | | | | | | | |
| Turkey | 19.00 | 4.00 | 7.00 | | 8.00 | | | | | | | | |
| United A.R. | 25.00 | 5.00 | | 10.00 | | 5.00 | | | | | 5.00 | | |
| U.K. | 1,000.00 | 28.00 | 57.00 | 69.00 | 163.00 | 273.00 | 23.00 | 54.00 | 66.00 | 40.00 | 27.00 | | 200.00 |
| U.S. | 525.00 | 7.50 | 7.50 | | 114.75 | 324.75 | 5.50 | | 57.50 | | 7.50 | | |
| Total* | 1,949.85 | 54.50 | 91.50 | 99.00 | 356.76 | 718.06 | 31.33 | 54.00 | 143.50 | 62.50 | 49.50 | 7.32 | 281.88 |

* Totals may not equal sums of items because of rounding.

TABLE II

Stand-by Arrangements in Force - January 1, 1964 - December 31, 1964
(Millions of U.S. dollars)

| r | Date of Arrangement | Date of Expiration | Amount | Amount Purchased under Stand-by January 1, 1964-December 31, 1964 | Total Amount Purchased under Stand-by | Amount Available Dec. 31, 1964 |
|---|---|---|---|---|---|---|
| | Sept. 4, 1963 | Sept. 3, 1964[1] | 10.00 | - | 2.50 | - |
| | Sept. 1, 1964 | Aug. 31, 1965 | 12.00 | - | - | 12.00 |
| | Jan. 15, 1963 | Jan. 14, 1964 | 40.00 | - | 40.00 | - |
| | Feb. 14, 1964 | Feb. 13, 1965 | 25.00 | 20.00 | 20.00 | 5.00 |
| a | Jan. 14, 1963 | Jan. 13, 1964 | 52.50 | - | 48.50 | - |
| | Feb. 14, 1964 | Feb. 13, 1965 | 10.00 | 7.50 | 7.50 | 2.50 |
| p. | Aug. 1, 1964 | July 31, 1965 | 25.00 | 15.00 | 15.00 | 10.00 |
| | July 1, 1963 | June 30, 1964 | 6.00 | - | - | - |
| | July 1, 1964 | June 30, 1965 | 13.00 | - | - | 13.00 |
| ador | Sept.13, 1963 | Sept. 12, 1964 | 5.00 | - | - | - |
| | Oct. 1, 1963 | Sept. 30, 1964 | 4.00 | 1.50 | 3.00 | - |
| | Oct. 1, 1964 | Sept. 30, 1965 | 4.00 | 1.50 | 1.50 | 2.50 |
| s | July 18, 1963 | July 17, 1964 | 7.50 | 2.50 | 5.00 | - |
| | Aug. 5, 1964 | Aug. 4, 1965 | 7.50 | 2.50 | 2.50 | 5.00 |
| | July 9, 1963 | July 8, 1964 | 100.00 | - | - | - |
| ia | Aug. 1, 1963 | July 31, 1964 | 50.00 | - | 20.00 | - |
| | June 13, 1963 | June 12, 1964 | 10.00 | - | - | - |
| | Mar. 11, 1964 | Mar. 10, 1965 | 305.00 | - | - | 305.00 |
| | June 1, 1963 | May 31, 1964 | 5.70 | 0.50 | 4.10 | - |
| | June 1, 1964 | May 31, 1965 | 4.40 | 3.30 | 3.30 | 1.10 |
| | July 1, 1964 | June 30, 1965 | 9.90 | 4.95 | 4.95 | 4.95 |
| ua | Mar. 1, 1963 | Feb. 29, 1964 | 11.25 | 0.75 | 12.25[2] | - |
| | Apr. 1, 1964 | Mar. 31, 1965 | 11.25 | 11.25 | 11.25 | Nil |
| y | Nov. 23, 1964 | Nov. 22, 1965 | 5.00 | - | - | 5.00 |
| | Mar. 1, 1963 | Feb. 29, 1964 | 30.00 | - | - | - |
| | Mar. 1, 1964 | Feb. 28, 1965 | 30.00 | - | - | 30.00 |
| ines | Apr. 12, 1963 | Apr. 11, 1964 | 40.40 | - | - | - |
| | Apr. 12, 1964 | Apr. 11, 1965 | 40.40 | - | - | 40.40 |
| | May 1, 1964 | Apr. 30, 1965 | 4.70 | 4.70 | 4.70 | Nil |
| | Mar. 12, 1964 | Dec. 31, 1964 | 18.50 | 18.50 | 18.50 | - |
| | Oct. 1, 1964 | Sept. 30, 1965 | 14.25 | 5.25 | 5.25 | 9.00 |
| | Feb. 15, 1964 | Dec. 31, 1964 | 21.50 | 19.00 | 19.00 | - |
| | May 23, 1964 | May 22, 1965 | 40.00 | 25.00 | 25.00 | 15.00 |
| Kingdom | Aug. 8, 1963 | Aug. 7, 1964 | 1,000.00 | - | - | - |
| | Aug. 8, 1964 | Aug. 7, 1965 | 1,000.00 | 1,000.00 | 1,000.00 | Nil |
| States | July 22, 1963 | July 21, 1964 | 500.00 | 250.00 | 250.00 | - |
| | July 22, 1964 | July 21, 1965 | 500.00 | 275.00 | 275.00 | 225.00 |
| | | | | 1,668.70 | | 685.45 |

ancelled by Bolivia on August 31, 1964
ugmented by repurchase of $1.00 million

Repurchases: January 1, 1964 - December 31, 1964

(Millions of U.S. dollars equivalent)

| Member Repurchasing | Total 1/ | U.S. Dollars | Austrian Schillings | Belgian Francs | French Francs | Deutsche Mark | Italian Lire | Netherlands Guilders | Swedish Kronor | Pounds Sterling | Gold |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | 42.00 | 1.50 | 1.79 | 1.21 | 9.00 | 19.50 | 1.50 | 7.50 | | | |
| Bolivia | 4.75 | | | | 2.00 | 2.75 | | | | | |
| Brazil | 28.00 | | 2.00 | 2.00 | 6.00 | 10.00 | | 8.00 | | | |
| Burma | 0.01 | | | | | | | | | | 0.01 |
| Canada | 166.00 | -1.20* | | | 30.00 | 112.15 | | 25.00 | | 0.05 | |
| Chile | 10.00 | | | | 5.00 | 5.00 | | | | | |
| Colombia | 20.00 | 2.00 | | 0.50 | 4.00 | 7.50 | 4.00 | 2.00 | | | |
| Costa Rica | 1.27 | 0.60 | | | | | | | | 0.01 | 0.66 |
| Ecuador | 6.58 | | | | 0.58 | | | | | | 6.00 |
| Guatemala | 3.90 | 0.83 | | | | 2.93 | | | | | 0.14 |
| Haiti | 2.50 | 0.50 | | | 2.00 | | | | | | |
| Honduras | 2.50 | | | | | 2.48 | | | | | 0.02 |
| Iceland | 0.01 | | | | | | | | | 0.01 | |
| India | 50.00 | | | | 25.00 | 25.00 | | | | | |
| Ireland | 0.96 | | | | | | | | | 0.96 | 0.01 |
| Israel | 12.49 | | | | | 12.49 | | | | | |
| Italy | 65.34 | | 3.71 | 3.71 | 15.30 | 35.20 | | 3.71 | 3.71 | | |
| Jamaica | 1.44 | 0.02 | | | | | | | | 1.43 | |
| Jordan | 0.30 | 0.08 | | | | | | | | 0.22 | |
| Malaysia | 0.19 | 0.35 | | | | 0.01 | | | | -0.60* | 0.44 |
| Nicaragua | 11.25 | 0.01 | | | 5.24 | 6.00 | | | | | 0.01 |
| Paraguay | 0.50 | 0.13 | | | 0.13 | 0.13 | | 0.13 | | | |
| Philippines | 6.25 | | | | 4.00 | | | 1.29 | 0.96 | | |
| Somalia | 0.01 | | | | | | | | | | 0.01 |
| Sudan | 0.33 | | | 0.01 | | | 0.01 | | | 0.33 | |
| Syrian A.R. | 3.88 | | | | | | | | | 3.88 | |
| Turkey | 16.00 | | 4.00 | 4.00 | 8.00 | | | | | | |
| United A.R. | 12.00 | | | 0.08 | 1.50 | 6.00 | | 2.59 | 0.33 | 1.50 | |
| Yugoslavia | 30.00 | | | | 5.00 | 17.50 | | 5.00 | 2.50 | | |
| Total 1/ | 498.43 | 4.81 | 11.50 | 11.50 | 122.75 | 264.62 | 5.50 | 55.21 | 7.50 | 7.75 | 7.28 |

1/ Totals may not equal sums of items because of rounding.

* Refund to member in respect of excess repurchase made on provisional basis in previous year.

## TABLE IV

Charges on transactions effected after May 1, 1963 are:

Charges in Per Cent per Annum 1/ for period stated and for portion of Holdings in excess of Quota by (per cent)

| | | | |
|---|---|---|---|
| More than .......... | 0 | 50 | 100 |
| But not more than .. | 50 | 100 | |
| Service Charge ..... | .5 | .5 | .5 |
| 0 to 3 months .... | 0.0 | 0.0 | 0.0 |
| 3 to 6 months .... | 2.0 | 2.0 | 2.0 |
| ½ to 1 year ...... | 2.0 | 2.0 | 2.5 |
| 1 to 1½ years ..... | 2.5 | 3.0 | 3.5 |
| 1½ to 2 years ..... | 2.5 | 3.0 | 3.5 |
| 2 to 2½ years ..... | 3.0 | 3.5 | 4.0* |
| 2½ to 3 years ..... | 3.5 | 4.0* | 4.5 |
| 3 to 3½ years ..... | 4.0* | 4.5 | 5.0 |
| 3½ to 4 years ..... | 4.5 | 5.0 | |
| 4 to 4½ years ..... | 5.0 | | |

Average Effective Rates 2/ in per Cent per Annum for portion of Holdings in excess of Quota by (per cent)

| | | | |
|---|---|---|---|
| More than .......... | 0 | 50 | 100 |
| But not more than .. | 50 | 100 | |
| 3 months.......... | 2.00 | 2.00 | 2.00 |
| 6 months ......... | 2.00 | 2.00 | 2.00 |
| 1 year ........... | 2.00 | 2.00 | 2.25 |
| 1½ years .......... | 2.00 | 2.17 | 2.50 |
| 2 years .......... | 2.12 | 2.38 | 2.75 |
| 2½ years .......... | 2.30 | 2.60 | 3.00 |
| 3 years .......... | 2.50 | 2.83 | 3.25 |
| 3½ years .......... | 2.71 | 3.07 | 3.50 |
| 4 years .......... | 2.94 | 3.31 | |
| 4½ years .......... | 3.17 | | |

1/ Except for service charge which is payable once per transaction and stated as per cent of amount of transaction.

2/ Total charges payable by the member over the stated period, expressed as a per cent and divided by the number of years of the period. Includes service charge.

* Point at which the Fund and the member consult.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

New Measures

In 1964 a number of new measures were initiated to expand and increase the effectiveness of the activities of the Bank and its affiliates, the International Finance Corporation (IFC), and the International Development Association (IDA).

a) Formalities were completed for the first general replenishment of IDA's funds. Eighteen capital-exporting countries -- Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Norway, South Africa, Sweden, the United Kingdom, and the United States -- are making available more than $750 million for commitment over a period extending to at least July 30, 1966. Canada's share in this is $41.7 million. The Bank itself is contributing $50 million to IDA out of its net income for the fiscal year 1963-64.

b) A proposal to permit the Bank to make loans to IFC for re-lending to private industry without government guarantee, as endorsed by the Boards of Governors of the Bank and IFC in September 1964, was submitted to member governments for ratification. The proposal, if ratified, could make available to IFC up to $400 million of additional funds.

c) Substantial progress was made in expanding the scope of Bank and IDA activities in the fields of agriculture and education. Co-operative agreements were concluded with the United Nations Education, Scientific and Cultural Organization, and with the Food and Agriculture Organization of the United Nations to help developing countries to identify and prepare projects in these two fields which would be suitable for Bank or IDA financing.

d) In December 1964, the Bank announced plans for the establishment of a field office for West Africa in Abidjan, Ivory Coast, and indicated its intention to open a similar office in East Africa. These offices will help African member countries to identify and prepare projects for Bank or IDA financing. Initially, this work will be confined to agricultural and transportation projects.

e) The Bank reiterated its readiness to finance some of the local costs of high priority projects in cases where financing for imports alone will not provide adequate support.

f) The Bank entered the field of education with a loan of $6 million to the Philippines for higher agricultural education.

g) The World Bank Group's assistance to the industrial sector was made more versatile during the year. For instance, IDA extended a credit of $90 million to India to finance the import of capital equipment, raw materials, and components essential to the full utilization of existing capacity in three major industries -- commercial vehicles, industrial machinery and construction equipment.

h) In order to create a climate more favourable to a larger flow of private capital to less developed countries, the Bank has sponsored a proposal to establish international machinery to deal on a voluntary basis with investment disputes between governments and nationals of other states. Two separate mechanisms of conciliation and arbitration would be made available. At the Annual Meeting of the Bank in September 1964, the Board of Governors approved a report of the Executive Directors on "Settlement of Investment Disputes" and requested them to formulate a Convention on the Settlement of Investment Disputes between States and Nationals of Other States. In November and December 1964, a committee of legal experts met at the Bank's headquarters in Washington to consider the Convention, and its report was subsequently considered by the Executive Directors of the Bank. The Convention is now open for signature by interested governments.

i) At the request of the United Nations Conference on Trade and Development held in Geneva from March to June of 1964, the Bank agreed to undertake several studies of problems and proposals in the field of development finance:

(a) a plan by which increased funds for development would be raised in private capital markets and lent to the developing countries at long term and low interest, with the Governments of the developed countries guaranteeing the borrowing operations and subsidizing the difference between the cost of borrowing and the loan charges;*

(b) the feasibility of establishing a system, administered by IDA but with funds supplementary to its own, for assisting countries whose development programs were threatened by a decline in export earnings below reasonable expectations due to long-term factors beyond their control;

(c) the use and terms of suppliers' credits, and of possible ways of financing exports from developing countries; and

(d) of a multilateral investment insurance scheme.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1. During the calendar year 1964, the Bank made 31 loans in 24 countries totalling the equivalent of $727.8 million (Table 1), as compared to $788 million in 1963. Private banks and other investors participated directly in 26 of the year's loans in amounts aggregating $35.2 million, in all cases without the Bank's guarantee. As of December 31, 1964, the gross total of all Bank loans amounted to the equivalent of $8,352.2 million of which $6,287.1 million had been disbursed. Taking into account cancellations and exchange adjustments ($189.1 million), repayments ($835.9 million) and sales of loans ($1,843.6 million), the portion of loans signed and still retained by the Bank on December 31, 1964 amounted to $5,484 million.

*The Bank staff study on this proposal was published in February 1965.

2. Financial Policy Changes

a) Effective July 1, 1964, the treatment of a portion, amounting to 1 per cent per annum on outstanding loans held by the Bank, of the Bank's loan charges as commission, and its automatic allocation to the Special Reserve, was discontinued. With minor exceptions, all income from loans is now considered as regular income, and future allocations to the Special Reserve are a matter for the Bank's Executive Directors to decide. The purpose of this change was to give the Bank better control over the uses and application of income from its loans.

b) From July 1, 1964, the commitment charge on the undisbursed portion of all Bank loans was reduced from 3/4 of 1 per cent to 3/8 of 1 per cent.

c) In three instances last year the Bank agreed to lengthen the final maturity of loans beyond the usual period of 15 to 25 years. In each instance, the type of project involved and the debt position of the borrowing country warranted such action. Two loans with final maturities of 35 years were made in Colombia and Nigeria for large-scale hydroelectric projects. In the Philippines, the Bank's educational loan bore a 30-year term to final maturity. In the case of a highway loan to Liberia, a longer grace period of eight years was given in regard to repayments of principal.

3. Membership

Kenya became a member during the year, raising total membership to 102 countries. Kenya's subscription to the Bank's capital was $33.3 million.

4. Lending Resources

The Bank obtains its funds for lending operations from the capital subscriptions of its members, the sale of its own bonds and notes, the sale of a portion of its loan portfolio, and its net earnings.

a) Capital Subscriptions

The Bank's authorized capital is $22,000 million, of which $21,228.8 million had been subscribed by December 31, 1964. Only 10% of subscriptions is paid in. The remaining 90% is subject to call should the Bank ever need additional funds to meet its obligations. The uncalled portion is in the nature of a guarantee against which the Bank is able to borrow funds.

By December 31, 1964, the Bank had been able to use or allocate for lending the equivalent of approximately $1,718 million from paid-in capital. Of Canada's total subscription of $750 million, $7.5 million has been paid in U.S. dollars, and the equivalent of $67.5 million in Canadian dollars. Canada has given the Bank permission to use this amount freely in its operations.

b) Marketing of World Bank Obligations

The Bank continued to be in a sufficiently liquid position that it was unnecessary to raise new money during the calendar year 1964.* The only Bank obligations issued during the year were distributed through private placements and were related to the refunding of equal amounts of matured obligations. In September 1964, a $100 million issue of Two-Year 4 1/4% United States Dollar Bonds was placed, at par, with institutional investors in 26 countries. It replaced the $100 million 3 3/4% U.S. Dollar Bonds that matured on October 1, 1964. In Germany, the Bank placed a further $100 million equivalent of dollar and Deutsche mark issues as outstanding obligations, held by the Deutsche Bundesbank, matured. Under delayed delivery contracts arising from offerings in previous years, the Bank delivered to purchasers in the United States $5 million of bonds.

The outstanding funded debt of the Bank on December 31, 1964 amounted to the equivalent of $2,484.3 million, a decrease of about $26.1 million due to sinking fund operations and the maturing of a small Swiss franc issue. Of the outstanding funded debt, $1,864 million was denominated in U.S. dollars, $28.5 million in Canadian dollars, and the remainder in Belgian francs, Deutsche marks, Italian lire, Netherlands guilders, pounds sterling and Swiss francs.

c) Sales of Loans from the Bank's Portfolio

During the year, the Bank sold or agreed to sell principal amounts of its outstanding loans amounting to the equivalent of $116.2 million. This compares with sales of $322.5 million in 1963. All the year's sales were made without the Bank's guarantee. The total loans sold or agreed to be sold by the Bank up to December 31, 1964, aggregated $1,843.6 million, of which $896.2 million had been retired by the borrowers.

d) Earnings and Reserves

The net earnings of the Bank in the calendar year 1964 amounted to $117.5 million. The figure is not comparable to those for previous years due to changes in financial policy introduced during the year. Reserves on December 31, 1964 totalled $894 million including a Special Reserve of $228 million.

5. World Bank Loans

a) By Areas

During the year, Liberia, Tunisia, and Sierra Leone were added to the list of countries receiving Bank loans. Between 1947 and 1964, the Bank had made 402 loans totalling $8,175 million to help finance some 1,000 projects in 74 countries or territories. The following table summarizes lending in calendar 1964 and 1963 by areas:

*Subsequently, on February 17, 1965, the World Bank placed an issue of $25 million 5 1/4% Twenty-Five-Year Canadian Dollar Bonds in Canada. The issue was offered at 99 1/2% to yield about 5.28%.

( Amount in U.S.$ millions )

| Area | 1964 | 1963 |
|---|---|---|
| Africa | $207.3 | $ 11.0 |
| Asia and the Middle East | 221.2 | 264.0 |
| Australasia | 32.5 | 8.0 |
| Europe | 163.5 | 201.0 |
| Western Hemisphere | 103.3 | 304.0 |
| Total | $727.8 | $788.0 |

After a lapse of two years, Asia and the Middle East was again the largest regional recipient of Bank loans. In each of the seven years, prior to 1962, the area occupied this position. The year witnessed a sharp increase in lending in Africa from $11 million in 1963 to $207 million in 1964. The gain reflected an increase of 24 members from Africa between 1962 and 1964.

b) By Purposes

The Bank entered the education field with a loan of $6 million. It will help a project in higher agricultural education being carried out by the College of Agriculture of the University of the Philippines at Los Banos. The proceeds will cover about half the cost of constructing and equipping 16 buildings and renovating three others required to carry out the College's Five-Year Development Program designed to improve the quality of agricultural education and research. The program is a vital part of a comprehensive effort being undertaken by the Philippine Government to raise the level of agricultural production.

Except for this first loan for education, Bank lending followed the familiar pattern, with transport and power projects accounting for the bulk of its financing. The following table summarizes the purposes assisted by the Bank in 1964 and 1963:

Amount (in millions of U.S. dollars)

| | 1964 | 1963 |
|---|---|---|
| Transportation | $355.6 | $304.0 |
| Electric Power | 238.5 | 308.0 |
| Industry | 68.0 | 110.0 |
| Telecommunications | - | 19.0 |
| Agriculture | 39.5 | - |
| Water Supply | 20.2 | - |
| Education | 6.0 | - |
| | $727.8 | $788.0 |

During the year, 15 loans totalling $355.6 million were made for transport development in 13 countries. Of this amount, loans totalling $178 million were devoted to financing

the construction and improvement of over 3,000 miles of roads in Ecuador, Finland, Gabon, Iran, Japan, Liberia, Paraguay and Venezuela. Japan borrowed twice during the year for highways: $50 million for a further section of the 333-mile toll expressway from Tokyo to Kobe, bringing total Bank lending for the entire project to $205 million; and $25 million for extension of the expressway from Haneda Airport to Yokohama. Loans for development of railways in Spain and Yugoslavia accounted for $135 million. Development of Karachi Port in Pakistan, construction of a new port at Paita in Peru and a modern port at Tunis in Tunisia accounted for $27 million. A loan of $15 million was made to cover part of the foreign exchange costs of constructing about 370 miles of pipeline from Multan to Lyalpur, Lahore and the Gharibwal-Dandot area of Pakistan to carry natural gas from the Sui fields in West Pakistan. The Sui Gas fields to be tapped by this line were first exploited by a line running southward to Karachi, which was financed by the World Bank in 1954.

Eight loans totalling $238.5 million were made for power development in seven countries - Ethopia, Colombia, New Zealand, Nigeria, Rhodesia, Sierra Leone, and Venezuela. These would help to add some 535,000 kilowatts of new generating capacity and about 1,700 miles of transmission and distribution lines. The largest power loan of the year, of $82 million, went to Nigeria for the Kainji Dam project on the Niger River with initial capacity of 320,000 kilowatts and with scope for increasing capacity to 960,000 kilowatts. Another loan of $30 million made during the year will help Nigeria to finance the foreign exchange costs of transmission and distribution facilities during the first 3 1/2 years of a six-year program designed to establish a national power grid. The Bank's first loan of $3.8 million in Sierra Leone will help finance a 13,200-kilowatt diesel power plant and the expansion of distribution facilities.

Four loans totalling $68.0 million were made for industrial development in Algeria, China (Taiwan), Pakistan and Thailand. Of this amount, $47.5 million is helping to finance the foreign exchange requirements of privately-owned industrial financing institutions in China, Pakistan and Thailand. In Pakistan a loan of $30 million will provide the Pakistan Industrial Credit and Investment Corporation (PICIC) with about half the foreign exchange it will require until the end of 1965 for loans to new and expanding industries. PICIC was established in 1957 by Pakistani and foreign investors, with the assistance of the World Bank. A loan of $15 million was made to China Development Corporation which assists the establishment, modernization and expansion of private industrial enterprises in Taiwan. The other loan in this category, of $2.5 million, was made in Thailand, to the Industrial Finance Corporation of Thailand, together with an investment of $193,108 by IFC. A loan of $20.5 million was made to help finance a gas liquefaction plant at Arzew in Algeria, with a capacity of 2.4 million cubic meters.

Two loans totalling $39.5 million were made for development of agriculture in Morocco and Thailand. In Morocco, a loan of $17.5 million was made to assist an agricultural development and irrigation program, a pilot undertaking to introduce modern intensive agriculture into Morocco. A loan of $22 million to Thailand was made to assist the first stage of the Me Klong River Basin Development, which provides for regulated irrigation, surface drainage and partial flood control of 432,000 acres.

A loan of $20.2 million was made in the Philippines to help finance the improvement and expansion of the water supply system of Manila and its suburbs. The project resulted from a study, financed jointly by the Bank and the Government of the Philippines.

6. Technical Assistance

Technical assistance activities of the Bank and IDA were further expanded during the year. Nine educational and 21 agricultural projects were under active consideration under the agreements with FAO and UNESCO. The Bank organized a study of the special problems of agriculture in Africa south of the Sahara. It made available to the International Cotton Advisory Committee a study of prospects for extra-long staple cotton.

As in the previous years, the Bank helped to finance a number of project and sector studies in member countries. The list included cocoa rehabilitation and road improvement studies in Cameroon, road studies in Eastern Nigeria, studies for a port in Somalia, a transport survey in Nepal, a survey of river ports and waterways in Pakistan and road studies in Peru. The Bank agreed to act as Executing Agency for a U.N. Special Fund survey to determine the future telecommunications requirements of Pakistan and to carry out a transportation study in Surinam.

The General Survey Mission and the Economic Survey Mission to assess the economic potentialities of Morocco and Brazil completed their field work and were preparing their reports. The report of the Mission to the Territory of Papua and New Guinea was made public by the Government of Australia.

Members of the Bank staff served as economic or planning advisers to the Governments of Chile, Colombia, the Dominican Republic, Ghana, Libya, Malaysia, Nigeria, Pakistan, Panama, the Philippines and the Sudan.

In October 1964, the Economic Development Institute began its tenth regular course for senior officials from less developed countries, with 24 officials from 22 countries, and its second project evaluation course in the Spanish language with 25 participants from 15 member countries. The Institute also conducted a regional course on project evaluation in Jaipur, India, for participants from eight Asian countries. Other courses conducted during the year were the Institute's first course to be concerned primarily with the evaluation of industrial projects and the third annual course on development planning to be carried out in the French language. By December 1964, some 350 participants from 85 countries and territories had participated in the courses conducted by the Institute.

7. Aid Consortia

During the year, the Bank again sponsored meetings of countries interested in providing development assistance to India and Pakistan. The Consortium on Aid to India pledged the equivalent of $1,028 million for the fourth year of the current Indian Five-Year Plan, subject as appropriate to legislative or other authorization; the share of the Bank

and IDA came to $245 million. For the final year of Pakistan's Second Five-Year Plan, the countries and institutions represented in the Consortium on Aid to Pakistan pledged $431 million, also subject to legislative or other necessary authorization; the share of the Bank and IDA was $80 million.

Colombia, Nigeria, Sudan and Tunisia continued to be the subjects of consultative group arrangements in which co-ordination of assistance for their development was discussed by interested countries meeting under the Chairmanship of the Bank.

8. Canadian Representation

The Governor of the Bank for Canada, since May 2, 1963, has been the Honourable Walter L. Gordon, Minister of Finance. Mr. A.F.W. Plumptre succeeded Mr. Louis Rasminsky as Canadian Alternate Governor on March 26, 1964. At the 1964 Annual Meetings of the Boards of Governors, Mr. A.F.W. Plumptre was re-elected as Executive Director of the Bank for Canada, Ireland and Jamaica. Mr. S.J. Handfield-Jones succeeded Mr. L.D. Hudon as Alternate Executive Director on August 1, 1964.

TABLE I

IBRD LOANS

(January 1, 1964 through December 31, 1964)

| | Principal Amount (in millions of U.S. dollars) | Date of Loan Agreement | Term | Interest Rate | Purpose |
|---|---|---|---|---|---|
| | 3.25 | January 8, 1964 | 18 years | 5 1/2% | Highways |
| | 45.00 | February 7 | 35 years | 5 1/2% | Power |
| | 2.50 | March 11 | * | ** | Development Finance Company |
| and | 32.50 | March 12 | 20 years | 5 1/2% | Power |
| | 30.00 | March 12 | 20 years | 5 1/2% | Power |
| | 3.10 | April 22 | 25 years | 5 1/2% | Port |
| | 50.00 | April 22 | 25 years | 5 1/2% | Expressway |
| | 23.50 | May 8 | 25 years | 5 1/2% | Electric Power |
| | 17.00 | May 14 | 25 years | 5 1/2% | Port |
| | 15.00 | May 14 | 20 years | 5 1/2% | Natural Gas Pipeline |
| | 20.50 | May 14 | 12 years | 5 1/2% | Gas Liquefaction Plant |
| | 9.00 | May 26 | 25 years | 5 1/2% | Highways |
| | 7.00 | June 5 | 25 years | 5 1/2% | Port |
| | 18.50 | June 10 | 20 years | 5 1/2% | Highways |
| | 30.00 | June 30 | * | ** | Development Finance Company |
| | 82.00 | July 7 | 35 years | 5 1/2% | Kainji Dam Project |
| | 28.50 | July 10 | 15 years | 5 1/2% | Highways |
| | 12.00 | July 10 | 20 years | 5 1/2% | Highways |
| nes | 20.20 | July 22 | 25 years | 5 1/2% | Water Supply |
| | 65.00 | July 31 | 20 Years | 5 1/2% | Railways |
| eone | 3.80 | August 18 | 20 years | 5 1/2% | Electric Power |
| | 17.50 | August 26 | 25 years | 5 1/2% | Agriculture |
| a | 30.00 | August 28 | 20 years | 5 1/2% | Highways |
| a | 14.00 | August 28 | 20 years | 5 1/2% | Electric Power |
| ** | 7.70 | October 2 | 25 years | 5 1/2% | Electric Power |
| nes | 6.00 | October 14 | 30 years | 5 1/2% | Agricultural Education |
| | 22.00 | November 25 | 20 years | 5 1/2% | Irrigation |
| ia | 70.00 | December 11 | 25 years | 5 1/2% | Railways |
| | 2.20 | December 16 | 25 years | 5 1/2% | Roads |
| aiwan) | 15.00 | December 17 | * | 5 1/2% | Development Finance Company |
| | 25.00 | December 23 | 25 years | 5 1/2% | Expressway |
| | $727.75 | | | | |

re is no fixed schedule of repayment. Each part of the loan is committed for a ticular project to be repaid by semi-annual instalments according to a schedule to determined at the time of the commitment.

re is no fixed interest rate. Interest will be applied to each portion of the loan the Bank's current rate when such portion is committed for a particular project.

n shared with Rhodesia.

## INTERNATIONAL FINANCE CORPORATION (IFC)

1. The International Finance Corporation (IFC) is an affiliate of the World Bank, established in 1956. It is an investment institution designed to supplement the activities of the Bank by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas. IFC provides financing, in association with private investors, without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms; seeks to create investment opportunities by bringing together domestic and foreign investors and experienced management; and endeavours to stimulate the flow of private capital into productive investment in member countries.

2. Investment Operations

IFC made gross investment commitments totalling approximately $25.4 million during 1964, as compared with $14.5 million in 1963. Investment commitments were made in 18 enterprises in 14 different countries, as against 14 enterprises in 11 countries in 1963. In all, the Corporation has made a total of 97 commitments, amounting to $127.4 million, in 30 different countries. A list of IFC investment commitments during 1964 is given in Table I.

The geographic diversification of IFC's portfolio was widened by initial investments in Honduras, Ethiopia and the Sudan. As in previous years, the bulk of investments was made in Latin America. A substantial rise in activity took place in Africa, while investments in Europe were also higher. On the other hand, commitments were lower in Asia and the Middle East. The regional distribution of IFC investments in 1964 and 1963 was as follows:

( Amount in U.S.$ millions )

| | No. of Investments | 1964 | No. of Investments | 1963 |
|---|---|---|---|---|
| Africa | 4 | $ 5.89 | 2 | $ 2.88 |
| Asia and the Middle East | 2 | 1.87 | 5 | 7.79 |
| Europe | 3 | 2.02 | 3 | 1.53 |
| Western Hemisphere | 10 | 15.60 | 4 | 2.26 |
| | 19 | $25.38 | 14 | $14.46 |

IFC assisted in financing a large variety of enterprises, including companies producing steel and steel forgings, construction equipment, automotive electrical equipment, textiles, pulp and paper, cement, leather tanning, sugar and food products.

Unlike 1963, when a major part of IFC's investments were made to assist private industrial development finance companies, the main emphasis in 1964 was on direct investments in manufacturing and processing industry. As in the previous year, many of IFC's investments were made in conjunction with other investment institutions, both domestic and foreign. There was a continuing shift towards equity investment, with a clear majority of the commitments involving subscriptions to common shares.

Investments were made to fulfill a variety of objectives. In some cases, IFC was instrumental in helping to finance new companies. Thus in Mexico, it assisted domestic and French interests in establishing a new company to produce a range of heavy construction equipment, under license from European and U.S. manufacturers. In Nigeria and the Sudan, it assisted the financing of new textile companies, sponsored by local and Japanese interests; while in Honduras a group of local businessmen secured IFC financing to set up a new leather tanning industry.

Other commitments were made to assist the expansion and modernization of established companies, including a major producer of pulp and paper in Argentina and a leading textile producer in Ethiopia. In Peru, an IFC investment, made in conjunction with investments by U.S. and Swiss financial institutions, assisted an expansion program being undertaken by a cement producer which had been helped earlier by a loan from the World Bank. IFC also made a number of additional commitments in companies in which it already held investments. In conjunction with other investors, it made a loan to a sugar producer in Tanzania. It also participated in supplementary financing, undertaken by companies in the process of expansion, by exercising pre-emptive rights to acquire shares. This was the case in a steel company in Mexico, as well as an automotive equipment manufacturer and a private development finance company in Spain. In the case of a food products manufacturer in Chile, IFC provided additional capital by exercising a stock option.

IFC continued to act on behalf of the World Bank group of institutions -- the Bank, the International Development Association and the Corporation itself -- in considering proposals for assistance to industrial development finance companies. Commitments were made in development finance companies in Thailand (in conjunction with a World Bank loan) and in Colombia, while a supplementary investment was made in a company in Spain. IFC also acted as a partner to development finance companies which it had helped to finance. For instance, in Colombia, it agreed to finance a new steel forgings plant, in conjunction with two development finance companies in which it holds a share interest.

3. Standby and Underwriting Commitments

There was a sharp growth in IFC commitments in this field. At December 31, IFC commitments totalled $16.6 million, compared with $10.4 million at the end of 1963. Acquisitions by others of securities covered by these commitments totalled over $13 million by the year end. The largest single commitment made by IFC during its entire existence was in connection with a joint underwriting of an offer of shares by a leading Mexican steel producer. The underwriting, made by a group consisting of IFC, Mexican, U.S. and Swiss financial institutions, amounted to $12.2 million and was the largest public offering ever made by a privately owned enterprise in Mexico. IFC's own commitment amounted to $6.1 million of the total underwriting. IFC also played a major role in underwriting a share offer by a new company set up to produce steel forgings in Colombia, in addition to making a direct investment as mentioned above.

4. Participations and Sales of Investments

IFC continued to be successful in attracting private investors to participate in its investments and in making sales of parts of its equity and loan investments out of portfolio. The Corporation obtained participations in its investments from institutions in the United States, the United Kingdom and Switzerland. An even wider group of institutions agreed to acquire portions of IFC investments from portfolio, including institutions domiciled in Germany, Holland, Switzerland, the Middle East, the U.S. and the U.K. among others. The total amount of loans and equity which IFC has sold or agreed to sell rose to approximately $25.5 million by the 1964 year end.

5. Financial Record

During the calendar year 1964, net income of IFC, after deducting operating expenses, amounted to an estimated $3.0 million, which was credited as in previous years to a reserve against losses. Net profits from sales of investments and a stock option, after deducting losses, amounted to about $277,700 for the year. Sales of and participations in IFC investments during the year totalled approximately $6.4 million. Total resources available to IFC at the year end exceeded $166 million, reflecting portfolio sales and participations, acquisition by others of securities covered by standby and underwriting commitments, repayments to the Corporation and cumulative net profits credited to reserve.

6. Policy

Under a resolution adopted by the Boards of Governors of the World Bank and IFC at the Annual Meeting in Tokyo in September 1964, it is proposed to amend the Articles of Agreement of both the Bank and IFC to enable the Bank to make loans to IFC for re-lending to private companies in developing countries without government guarantee. The limit on IFC borrowing from the Bank or other sources would be four times the Corporation's unimpaired subscribed capital and surplus, or approximately $400 million at present.

World Bank loans to private companies are required to have a government guarantee of repayment; but frequently private enterprises are reluctant to seek such guarantees, and many governments find it politically or constitutionally difficult to extend them. IFC, on the other hand, does not seek or accept government guarantees. Loans from the Bank to IFC would provide additional resources for the financing of private industry without the need of a host government guarantee. IFC would be able to use such loans as a source of additional funds for the loan portions of investments currently made on a mixed loan and equity basis. These resources would also be available to reimburse IFC for the loan portions of investments already made by IFC and to permit it to enter into much larger transactions than it does at present. The proposal has been submitted to the member countries for their approval.

7. Membership

Three countries joined IFC during 1964, raising total membership to 78 countries. The new members, with paid-in subscriptions shown in brackets, were: Jamaica ($148,000), Kenya ($184,000) and Korea ($139,000).

8. Capitalization

Authorized capital of IFC at December 31, 1964 was $110 million. Subscribed capital paid in by member countries was $98,964,000.

TABLE I

IFC INVESTMENT COMMITMENTS

(Calendar 1964)

| Country | Project | Amount (In U.S.$ Millions) |
|---|---|---|
| Argentina | Pulp and Paper | 2.5 |
| Colombia | Development Finance Company | 0.7 |
| Colombia | Steel Forging | 1.2 |
| Colombia | Food Products | 1.0 |
| Chile | Food Products | 0.2 |
| Ethiopia | Textiles | 2.5 |
| Greece | Cement | 1.5 |
| Honduras | Leather Tanning | 0.4 |
| Mexico | Steel | 6.1 |
| Mexico | Steel | 0.3 |
| Mexico | Construction Equipment | 1.6 |
| Nigeria | Textiles | 0.8 |
| Pakistan | Cement | 1.7 |
| Peru | Cement | 1.6 |
| Spain | Development Finance Company | 0.3 |
| Spain | Automotive Electrical Equipment | 0.2 |
| Sudan | Textiles | 0.7 |
| Tanzania | Sugar | 1.9 |
| Thailand | Development Finance Company | 0.2 |
| Total | | 25.4 |

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

1. The International Development Association (IDA) was established in September 1960 as an affiliate of the World Bank. IDA aims to promote economic development, increase productivity and thus raise standards of living in the less developed areas of the world by providing finance on terms which are more flexible and bear less heavily on the balance of payments of recipient countries than those of conventional loans. Like the Bank, IDA helps to finance development projects which have been carefully chosen and prepared.

2. Credit Operations

The year 1964 saw IDA lending reach the highest figure since it started operations in 1961. During the year IDA extended 23 credits totalling $424.8 million to assist development projects in 11 member countries (Table I). This represented a rise of $214.9 million over the total for 1963. By December 31, 1964, IDA had extended a total of 70 development credits totalling $1,002 million in 27 countries.

Seven countries -- Afghanistan, Bechuanaland, Bolivia, Ecuador, Kenya, Mauritania and Niger -- were added to the list of IDA borrowers during the year.

As in 1963, Asia and the Middle East was the principal regional recipient of IDA credits. In the year under review, 12 credits totalling $339.7 million -- a little more than 80% of the total for the year -- were made in that area. The remainder was distributed as follows: Africa, $33.1 million; Europe, $29 million; and the Western Hemisphere, $23 million.

Transportation: Transportation was the principal purpose assisted with credits totalling $180 million. Of this, lending for railway development was the largest element with credits to India and Pakistan totalling $97 million. Credits totalling $77.8 million were made to assist the construction and improvement of some 2,000 miles of roads in Bechuanaland, Ecuador, Kenya, Mauritania, Niger, Pakistan and Tanzania. A credit of $5.25 million is assisting further improvements of inland water transport in East Pakistan.

Industry: Industry occupied the second place among the purposes assisted with two credits totalling $95 million. Of this amount, $90 million went to India to enable companies in three major industries -- commercial vehicles, industrial machinery and construction equipment -- to import components and materials on a larger scale and thus make fuller use of existing capacity. A credit of $5 million will replenish the foreign exchange resources of the Industrial Development Bank of Turkey -- a privately-owned institution which finances private industrial undertakings in that country.

Agriculture: Credits for development of agriculture totalled $61.3 million. A credit of $58.4 million was made to Pakistan for use in the Indus Basin Development Fund, an international fund which is helping to finance the construction of irrigation and other works which are required in West Pakistan as a result of the Indus Waters Treaty between India and Pakistan. A credit of $2.8 million was made to Kenya to help the Kenya Tea Development Authority expand production of tea by African smallholders.

Electric Power: Three credits totalling $39 million were made for power development in Bolivia and Turkey. Two credits totalling $15 million were made in Bolivia as part of a joint operation with the Inter-American Development Bank to provide $18.5 million to help finance an electric power development program which will increase the country's installed capacity by 38,000 kilowatts. A credit of $24 million was extended to Turkey to help finance an expansion program being carried out by the Cukurova Electric Company. The projects in the program include the construction of two new power generating plants with a capacity of 150,000 kilowatts and the construction of 160 miles of transmission lines.

Communications: A credit of $33 million was extended to India to help expand the country's telephone network to serve about 75% more subscribers and carry out other urgently needed improvements in its telecommunications system. This brought the total of IDA funds made available for this purpose to $75 million.

Education: Three credits totalling $16.5 million were made for educational projects in Afghanistan and Pakistan. A credit of $3.5 million to Afghanistan will help finance the construction and equipment of seven vocational schools at the secondary level. Two credits totalling $13 million to Pakistan will cover half the cost of expanding and improving certain agricultural and technical educational facilities including two agricultural universities, 14 technical institutes and three teacher-training colleges. The increase in professionally-trained personnel for agriculture and industry made possible by this expansion will alleviate the critical shortage of manpower in these categories.

3. Terms

The terms of IDA credits continued on the same basis as in the previous years. All were for a term of 50 years, free of interest. Amortization begins after a 10-year period of grace; thereafter, 1 per cent of the principal is repayable annually for 10 years, and 3 per cent annually for the final 30 years. A service charge of three-quarters of 1 per cent per annum, payable on the amounts withdrawn and outstanding, is charged to meet IDA's administrative costs. Repayments are due in foreign exchange.

4. Membership

Four countries joined IDA during the year bringing total membership to 94. New members and their subscriptions are as follows: Belgium, $8,250,000; Cameroon, $1,010,000; Kenya, $1,680,000; and Luxembourg, $375,000.

5. Resources

IDA's resources come mainly from subscriptions and contributions of member countries. During the year, formalities were completed for the replenishment of IDA resources. The Executive Directors had proposed that IDA's funds be increased by $750 million through contributions from 17 governments, including $8,625,000 in the form of initial subscriptions by Belgium and Luxembourg. The 17 governments assisting in the replenishment of IDA's resources, together with their contributions, are as follows:

| | |
|---|---|
| Australia | $ 19,800,000 |
| Austria | 5,040,000 |
| Belgium | 16,500,000 |
| Canada | 41,700,000 |
| Denmark | 7,500,000 |
| Finland | 2,298,000 |
| France | 61,872,000 |
| Germany | 72,600,000 |
| Italy | 30,000,000 |
| Japan | 41,250,000 |
| Luxembourg | 750,000 |
| Netherlands | 16,500,000 |
| Norway | 6,600,000 |
| South Africa | 3,990,000 |
| Sweden | 15,000,000 |
| United Kingdom | 96,600,000 |
| United States | 312,000,000 |
| Total | $750,000,000 |

In addition, the Government of Kuwait decided to participate in the replenishment of IDA resources, with a contribution of $3.36 million. Sweden, which had previously made two special supplementary contributions totalling $10 million, came forward with a third amounting to $5 million, over and above its participation in the general replenishment. The Bank itself was contributing $50 million to IDA out of net income from 1963-1964. At the end of the year, paid-in and prospective resources of the Association amounted to $1,595 million.

TABLE I

IDA CREDITS - Calendar Year 1964

| Area and Country | Purpose | Amount |
|---|---|---|
| AFRICA | | |
| Bechuanaland | Highways | $ 3,600,000 |
| Kenya | Tea production | 2,800,000 |
| Kenya | Highways | 4,500,000 |
| Mauritania | Highways | 6,700,000 |
| Niger | Roads | 1,500,000 |
| Tanganyika | Highways | 14,000,000 |
| | | $ 33,100,000 |
| ASIA AND THE MIDDLE EAST | | |
| Afghanistan | Education | $ 3,500,000 |
| India | Industrial Imports | 90,000,000 |
| India | Railways | 62,000,000 |
| India | Telecommunications | 33,000,000 |
| Pakistan | Education | 8,500,000 |
| Pakistan | Education | 4,500,000 |
| Pakistan | Highways | 22,500,000 |
| Pakistan | Highways | 17,000,000 |
| Pakistan | Railways | 25,000,000 |
| Pakistan | Railways | 10,000,000 |
| Pakistan | Indus Basin Development Fund | 58,540,000 |
| Pakistan | Inland Waterways | 5,250,000 |
| | | $339,790,000 |
| EUROPE | | |
| Turkey | Power | $ 24,000,000 |
| Turkey | Development Finance Company | 5,000,000 |
| | | $ 29,000,000 |
| WESTERN HEMISPHERE | | |
| Bolivia | Power | $ 10,000,000 |
| Bolivia | Power | 5,000,000 |
| Ecuador | Highways | 8,000,000 |
| | | $ 23,000,000 |
| | Total | $424,890,000 |

Canada. Finance, Dept. of

REPORT ON

OPERATIONS UNDER THE

BRETTON WOODS AGREEMENTS ACT during the fiscal year

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

DURING THE

CALENDAR YEAR 1965

Introductory Note

This report contains a summary of the operations of the Bretton Woods Institutions during the period January 1 - December 31, 1965. These institutions are the International Monetary Fund (IMF) and the "World Bank Group", which comprises the International Bank for Reconstruction and Development (IBRD) and its two affiliates: the International Development Association (IDA) and the International Finance Corporation (IFC). The basic principles on which the operations of these institutions are founded are set out in their respective Articles of Agreement. A brief description of each of these institutions, other than the IDA, is contained in the report on operations during the fiscal year 1958-59. A description of IDA was contained in the 1960-61 report.

The IMF (the "Fund") and the IBRD (the "Bank") were established under the Bretton Woods Agreements of 1945. Canadian participation in these Agreements, and thereby in the Fund and the Bank, was authorized by the Bretton Woods Agreements Act, 1945 (9-10 George VI, Chapter 11), as amended. The International Finance Corporation was founded in 1956 as an affiliate of the Bank by means of separate Articles of Agreement, to which Canada is a party. The Agreement by which the International Development Association was established came into force in September 1960. Canadian participation in the Association was authorized by the International Development Association Act, 1960.

The Bretton Woods institutions are closely linked in membership and general fields of endeavour. Membership in the Fund is a prerequisite for membership in the Bank, membership in which is a prerequisite for membership in IDA and IFC. The same Governors, Alternate Governors, Executive Directors and Alternate Directors frequently serve the four organizations. There is continuous and close contact among the managements and staffs, facilitated by the establishment of the headquarters of all organizations in the same group of buildings in Washington, D.C. As specialized agencies of the United Nations, the Fund and the Bank have relationship agreements with the U.N. and report annually to ECOSOC. The President of the Bank and the Managing Director of the Fund are members of the Inter-agency Consultative Board of the U.N. Development Programme and of the U.N. Administrative Committee on Coordination.

The Honourable Mitchell Sharp, Minister of Finance, has replaced the Honourable Walter L. Gordon as Canadian Governor of the Fund and the Bank. Mr. Louis Rasminsky, Governor of the Bank of Canada, is Canadian Alternate Governor of the Fund, and Mr. A.B. Hockin, Assistant Deputy Minister of Finance, is Canadian Alternate Governor of the Bank. During the year, Mr. S.J. Handfield-Jones became Executive Director of the Fund and Mr. L.D. Hudon Executive Director of the Bank, replacing Mr. A.F.W. Plumptre who had been Executive Director of both institutions. Mr. P.M. Reid is Alternate Executive Director for the Fund and the Bank. Canada represents Jamaica and Ireland on the two Executive Boards.

In 1965 Malawi and Zambia joined the Bretton Woods Institutions and Indonesia withdrew. At year end, total membership of the Fund and the Bank was 103, of IDA 96 and IFC 80. The U.S.S.R. and the Eastern European countries are not members of the Bretton Woods Insitutions.

The IMF and IBRD use the U.S. dollar as their basic unit of account, and dollar figures throughout the report are therefore expressed in terms of U.S. dollars, unless otherwise indicated.

INTERNATIONAL MONETARY FUND

1. 1965 Annual Meeting

The Twentieth Annual Meeting of the Board of Governors was held in Washington, D.C. from September 27 through October 1, 1965, under the chairmanship of the Governor for Ethiopia, Yilma Deressa. As at the previous Annual Meeting in Tokyo, international liquidity was the central subject of the discussion. The exchange of views was based in large part on a chapter in the Fund's 1965 Annual Report and took into account the Report of the Study Group on the Creation of Reserve Assets to the Deputies of the Group of Ten (Ossola Report). The Managing Director, in his annual address presenting the Fund's Annual Report, emphasized the role of the Fund as the appropriate institution for providing new or improved facilities for international liquidity and proposed that ways should be found whereby the efforts of the Fund's Executive Directors and those of the Deputies of the Group of Ten could be directed toward a consensus on desirable lines of action. The Governors in general supported the view that the functioning of the international monetary system and the adequacy of sources of international liquidity were the concern of all members of the Fund and endorsed the Managing Director's proposal. Other matters discussed by the Governors were international payments developments and problems of the developing countries, including the burdens of debt servicing and compensatory financing of export fluctuations.

During the period of the Meeting, the Ministers and Central Bank Governors of the Group of Ten industrial countries (Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States) met in Washington, together with the Managing Director of the International Monetary Fund, the Secretary General of the Organization for Economic Cooperation and Development, the General Manager of the Bank for International Settlements, and the President of the Swiss National Bank. The Ministers and Governors gave instructions to their Deputies, as the first phase of contingency planning, to resume on an intensified basis the discussions which were the subject of the Annex to the Ministerial Statement of August 1964. The Deputies were directed to determine and report to the Ministers in the spring of 1966 the progress of their deliberations concerning what basis of agreement can be reached on improvements needed in the international monetary system, including arrangements for the future creation of reserve assets, as and when needed, so as to permit adequate provision for the reserve needs of the world economy. During the course of their discussions, the Deputies would continue to have the active participation of representatives of the Managing Director of the Fund and of the OECD and the BIS, and the Swiss National Bank would also be invited to send a representative. The Ministers and Governors further agreed that it would be useful to seek ways by which the efforts of the Executive Board of the Fund and those of the Deputies of the Group of Ten could be directed toward a consensus as to desirable lines of action and instructed their Deputies to work out in the coming year, in close consultation with the Managing Director of the Fund, procedures to achieve this aim, with a view to preparing for the final enactment of any new arrangements at an appropriate forum for international discussions.

At the closing session, the Governor for Iran was elected Chairman for the following year and the Governors for Argentina and Denmark were elected Vice-Chairman. The Board of Governors recommended that the Executive Directors review the procedures and arrangements for the Annual Meetings of the Board of Governors with a view to recommending any desirable improvements. The Twenty-First Annual Meeting of the Board of Governors will be convened in Washington, D.C. on September 26, 1966.

2. Acceptance of Obligations of Article VIII

During the period under review, Australia and Costa Rica formally accepted the obligations of Article VIII, Sections 2, 3 and 4, bringing to 27 the number of members, including Canada, that have rendered their currencies convertible under the Articles of Agreement.

3. General Arrangements to Borrow

The Executive Directors, on October 15, 1965, approved a four-year renewal of the Fund's General Arrangements to Borrow, which enables the Fund to supplement its resources by borrowing up to $6 billion in the currencies of ten of its industrialized members (Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States). These arrangements first went into effect on October 24, 1962 for a four-year term. The renewal will date from October 1966 and will be reviewed in the light of further experience prior to October 1968.

As in 1964, the Fund drew upon these arrangements to help finance a large transaction with the United Kingdom, borrowing the equivalent of $525 million in May 1965. Switzerland also made currency available to the United Kingdom on a swap basis on this occasion, as in the 1964 transaction, in accordance with the agreement between Switzerland and the Fund, of which it is not a member, that provides for Swiss association with the G. A. B.

The participants, together with the amounts they were prepared to lend and the amounts borrowed are shown in the following table:

GENERAL ARRANGEMENTS TO BORROW

as at December 31, 1965

(In millions of U.S. dollars)

| Participant | Maximum Amounts of Credit Arrangements | Amounts Borrowed | Balance Available Under Credit Arrangements |
|---|---|---|---|
| Belgium | $ 150 | $ 67.5 | $ 82.5 |
| Canada | 200 | 50.0 | 150.0 |
| Deutsche Bundesbank | 1,000 | 347.5 | 652.5 |
| France | 550 | 240.0 | 310.0 |
| Italy | 550 | 70.0 | 480.0 |
| Japan | 250 | 45.0 | 205.0 |
| Netherlands | 200 | 77.5 | 122.5 |
| Sveriges Riksbank | 100 | 32.5 | 67.5 |
| United Kingdom | 1,000 | --- | 1,000.0 |
| United States | 2,000 | --- | 2,000.0 |
| | $6,000 | $930.0 | $5,070.0 |

4. Compensatory Financing of Export Fluctuations

The Fund's facility for providing compensatory financial assistance to members which experience a temporary shortfall in total export earnings caused by circumstances largely beyond their control was used by one member during the year. The Fund agreed to a drawing amounting to the equivalent of $11.25 million by the Sudan to help meet payments deficits caused by a temporary decline in export earnings.

The Compensatory Financing Decision also provided that sympathetic consideration would be given to requests for quota adjustments from countries exporting primary products, especially those with smaller quotas, in order to make them more appropriate in the light of export fluctuations and other relevant criteria. Under this provision, increases in the quotas of 13 members were approved and put into effect in 1965, and increases were approved for 3 other members, as described below. The Executive Directors, in their Report to the Governors entitled "Increases in Quotas of Members - Fourth Quinquennial Review", stated that the general increases proposed for all members were without prejudice to the adjustment of quotas under the Compensatory Financing Decision. Thus, members whose requests for quota increases under the Compensatory Financing Decision have been approved since the Executive Directors' above-mentioned Report of February 26, 1965, may use their quotas as adjusted by the compensatory financing increases as the basis for the additional 25 per cent general increase.

5. Fund Transactions

The Fund makes its foreign exchange resources available under proper safeguards to its members to meet short-term payments difficulties. In a number of cases resources have been made available in connection with and to support major economic stabilization programs, often in conjunction with financial assistance from other sources; furthermore, the Fund has provided compensatory financing to cover export shortfalls. Members may arrange to purchase or "draw" foreign exchange from the Fund in exchange for their own currencies in a single immediate drawing or they may obtain a stand-by arrangement assuring them of drawings of Fund resources up to a specified limit and within a specified period.

From the beginning of the Fund's operations to December 31, 1965, 59 members have made foreign exchange drawings equivalent to $11,462.4 million. During the year under review, there were drawings by 23 members amounting to the equivalent of $2,433.5 million, compared to drawings of $1,949.8 million during the previous year.

The United Kingdom made the largest single drawing on the Fund during the year, equivalent to $1,400 million, of which $80 million was made in Canadian dollars. In this connection, the Fund borrowed the equivalent of $525 million from eight participants in the General Arrangements to Borrow, including $35 million borrowed from Canada. On the same date, the Fund sold the equivalent of $400 million in gold to replenish its holdings in ten currencies; $27.5 million was sold to Canada. The United States, with drawings of $435 million, was the only other industrial country to make use of the Fund's resources during the year.

Of the total purchases made during 1965, $282.3 million were in U.S. dollars, compared to $281.9 million in 1964; the equivalent of $35 million in Australian pounds; $135.5 million in Belgian francs; $290.5 million in Canadian dollars; $30 million in Danish kroner; $418.1 million in deutsche mark; $376.8 million in French francs; $473.9 million in Italian lire; $107.5 million in Japanese yen; $9.5 million in Mexican pesos; $128.5 million in Netherlands guilders; $49.5 million in Spanish pesetas; $67.5 million in Swedish kronor; and $29 million in pounds sterling (Table I). Two additional currencies - Australian pounds and Mexican pesos - were drawn for the first time. During the year $1,872.44 million was purchased in accordance with arrangements for immediate drawings and $561.04 million was drawn by 21 members in accordance with existing stand-by arrangements (Table II). The amounts not drawn but available under stand-by arrangements at December 31, 1965 totalled $279.8 million.

Any drawing or stand-by arrangement exceeding 25 per cent of a member's quota within any 12-month period (except to the extent that the Fund holds less of the member's currencey than 75 per cent of its quota), and any drawing or stand-by arrangement which would increase the Fund's holdings of that currency to more than 200 per cent of the quota, required - under Article V, Section 4, of the Articles of Agreement - the grant of a waiver in favor of the member. Waivers under Article V of the Fund Agreement were granted in connection with all of the stand-by arrangements made in the period under review (except in the case of Turkey); waivers were also granted in the cases of the immediate drawings by the Sudan, New Zealand, and the United Kingdom.

The schedule of Fund charges on purchases of exchange, which was revised as of May 1, 1963, was extended for one year by the Executive Board (Table IV).

Under the Articles of Agreement, members who make drawings must repurchase their own currency from the Fund with gold or convertible currencies. Fund policy requires repurchases to be made not later than 3 to 5 years after the date of drawing. From the beginning of the Fund's operations to December 31, 1965, repurchases totalled $6,034.1 million. Repurchases amounting to $350 million were made by 27 members between January 1, 1965 and December 31, 1965 (Table III). On December 31, 1965, the Fund's holdings of member currencies (including non-negotiable, non-interest bearing notes) were equivalent to $13,546.3 million, of which $3,521.0 million was in U.S. dollars. The Fund's total holdings of gold and currencies convertible under Article VIII of the Fund Agreement, at December 31, 1965, amounted to the equivalent of $11,824.2 million of which $2,668.9 million was in gold. On that date the largest holding of a convertible currency was in pounds sterling and was equivalent to $3,856.7 million. The Fund's holdings of Canadian dollars at the end of December 1965 amounted to 45 per cent of Canada's quota of $550 million.

6. Exchange Restrictions and Related Matters

The Sixteenth Annual Report on Exchange Restrictions published in August 1965 again reviewed developments in exchange restrictions and related fields and presented individual "Country surveys" for the Fund's members and some other countries. The Report noted that during 1964 the application of restrictions on trade and payments by member countries of the Fund showed, as in previous periods, wide variations in intensity and method. Several countries took steps to moderate capital outflows. Countries experiencing chronic inflation and hence pressure on their payments positions made further adjustments in their exchange rate structures, intensified restrictions or introduced new restrictive devices. The Report said, however, that such measures, unless accompanied by internal steps to stem inflation, could not be expected to correct the imbalance, and in some countries they complicated the task of restoring stability. Where stabilization programs were introduced along with more realistic exchange rates, some simpliciation and liberalization of restrictions were found possible. The Report also noted that with respect to some countries, the range of restrictive devices applied appeared to have widened in recent years. The use of advance import deposit requirements had spread and more countries were applying surcharges to imports when in balance of payments difficulties. In contrast, a number of member countries whose restrictive systems had been progressively liberalized in recent years had relied on internal measures to meet temporary balance

of payments difficulties. By making use of the Fund's resources, several member countries had been able to maintain or extend their liberalization policies.

The Report's general review of developments covered trade and payments restrictions and discrimination, bilateral payments arrangements, multiple currency practices and fluctuating exchange rates, import surcharges and advance deposits, and measures affecting capital movements. It also covered regional arrangements and restrictions of the Fund's newer member countries.

The period since the preparation of the Report again did not show a clear pattern of developments in the use of exchange and other restrictions by the Fund's membership as a whole. At the outset of 1965 there were a number of disturbing tendencies in the international payments situation, such as a slackening in the growth of international trade, a decline in the prices of certain primary products, and large deficits in the balance of payments of the United States and the United Kingdom. In the course of the year, these tendencies changed, but the impact of the developments was not such as to result in a large-scale reduction of restrictions. Much of what liberalization did take place was in the industrially more advanced countries, but even here there were exceptions, especially if the varied measures to influence capital movements are included. While some developing countries were able to liberalize, intensification of restrictions was more frequent as demand for exchange tended to outstrip the supply. Generally, countries which had assumed obligations of Article VIII of the Fund Agreement--of which there are now 27 accounting for some 70 per cent of world trade--were making less use of restrictions.

7. Consultations in 1965

Member countries which avail themselves of the transitional arrangements in Article XIV, Section 2, of the Fund Agreement are required to consult with the Fund annually on the retention of exchange restrictions. The 14th series of such consultations begun in March 1965. As in earlier years these consultations provided valuable opportunities for collaboration between the Fund and its members. In addition to reviewing the economic and financial problems which have given rise to restrictive and discriminatory practices, some of the consultations have covered the initiation or renewal of stand-by arrangements with the Fund, the simplification of exchange systems and other matters of mutual interest to the member and the Fund. Discussions have also been held with a number of members of the Fund which have accepted the obligations of Article VIII, Sections 2, 3 and 4, of the Fund Agreement. These discussions have not only enabled the Fund to maintain close contact with all its members but also have allowed a regular exchange of views on monetary and financial developments, thus providing the machinery for cooperation on international monetary problems. All of these consultations involved discussions in the member countries concerned. Consultations discussions between the Fund staff and Canadian representatives were held in Ottawa in January 1965 and again in February 1966. These discussions were normally followed by discussion of the staff's report by the Fund's Executive Board. In 1965 this took place in March.

8. Quotas

On February 26, 1965, the Executive Directors adopted a Report for submission to the Board of Governors entitled "Increases in Quotas of Members - Fourth Quinquennial Review", pursuant to the Governors' resolution on the adjustment of

quotas adopted at the Nineteenth Annual Meeting. The Report included two Resolutions: the First, proposing a general increase of 25 per cent, appropriately rounded, in all quotas, and the Second, proposing special increases for 16 members, including Canada, which would be able to increase its quota from $500 million to $740 million. These Resolutions were adopted by the Governors, effective March 31, 1965. Under the terms of the Resolutions, members had until September 25, 1965 to consent to their increases, which period could be extended by the Executive Directors. The period for consent was extended by the Executive Directors to March 26, 1966 and, subsequently, to July 31, 1966. The Resolutions provided that members having not less than two thirds of the total quotas in the Fund as of February 26, 1965 must consent to their individual increases before any of the proposed increases could come into effect. On February 23, 1966, the Fund determined that this requirement had been met, 59 members representing 67.82 of total Fund quotas as of February 26, 1965 having consented to the proposed increases in their quotas. After this determination, each increase in quota will become effective when the member which has consented to the increase has paid the additional subscription equal to the increase, of which 25 per cent will be in gold and the balance in its own currency, in accordance with the provisions of the Articles of Agreement.

To assist members that might find it a hardship to make the gold payment, the Fund has adopted special policies and procedures to mitigate the effects of the gold payment on reserve positions. The contemplated arrangements, described in the Report of the Executive Directors to the Board of Governors, include consent to the increase by annual installments over a period up to five years and provisions for a drawing from the Fund up to an amount equivalent to the gold payment. In those cases where, to make the necessary gold payment, members would purchase the gold from reserve currency members, in particular, the United States and the United Kingdom, special provisions were made to alleviate the impact of the gold purchases in those two currency reserve centers, as follows:

a) Certain drawings, up to a total equivalent to $150 million, will be in currencies to be used by drawing members to purchase gold from the members whose currencies are being drawn. The Fund will then replenish its holdings of these currencies by the sale of its gold to these members up to the amount of these drawings. In this way, there will be no reduction in the gold holdings either of the members paying their subscriptions or of the members whose currency is drawn from the Fund.

b) The Fund will make a general deposit of gold with its gold depositories designated by the United States and the United Kingdom in a total amount not exceeding $350 million. Approximately $250 million in gold will be placed on general deposit with the Fund depository in the United States and approximately $100 million with the Fund's depository in the United Kingdom. These general gold deposits will be available on demand for the use of or transfer to the Fund. If all proposed increases become effective as contemplated by the two Resolutions, total quotas in the Fund would rise from the previous level of approximately $16 billion to approximately $21 billion.

During the year under review, the quotas of 13 members, listed below, were increased, of which all except two, Malaysia and Panama, were considered under the terms of the Decision on Compensatory Financing of Export Fluctuations mentioned above. The Board of Governors also approved, under the Compensatory Financing Decision, requests for increases in quotas submitted by Jamaica, from $20 million to $24 million; Nicaragua, from $11.25 million to $15 million; and the Syrian Arab Republic, from $25 million to $30 million.1/ The aggregate of Fund quotas as of December 31, 1965 was $15,976.58 million.

INCREASES IN QUOTAS OF MEMBERS, 1965

| | | (In millions of U.S. dollars) | |
|---|---|---|---|
| Country | Effective Date | Previous Quota | New Quota |
| Ceylon | Apr. 7, 1965 | 45.00 | 62.00 |
| Costa Rica | Jan. 11, 1965 | 15.00 | 20.00 |
| Ghana | Feb. 23, 1965 | 35.00 | 55.00 |
| Guatemals | June 25, 1965 | 15.00 | 20.00 |
| Iraq | Mar. 4, 1965 | 15.00 | 55.00 |
| | July 19, 1965 | 55.00 | 64.00 |
| Jordan | July 2, 1965 | 11.25 | 12.25 |
| Liberia | Dec. 27, 1965 | 11.25 | 16.00 |
| Malaysia | Apr. 7, 1965 | 37.50 | 58.33 2/ |
| Morocco | Sept. 7, 1965 | 52.50 | 72.00 |
| Panama | Feb. 10, 1965 | 0.50 | 11.25 |
| Saudi Arabia | June 24, 1965 | 55.00 | 72.00 |
| Sudan | Mar. 17, 1965 | 15.00 | 45.00 |
| Thailand | May 4, 1965 | 45.00 | 76.00 |

1/ By March 18, 1966, the increases for Jamaica, Nicaragua, and the Syrian Arab Republic had become effective.

2/ Represents first of three equal installments by which Malaysia's quota will be increased to $100 million.

9. Par Values

Initial par values were established by agreement between the Fund and three members during 1965, as follows: the Burundi franc at FBu 87.5 per U.S. dollar, effective January 26, 1965; the Sierra Leone leone at Le 0.714286 per U.S. dollar, effective August 6, 1965; and the Trinidad and Tobago dollar at TT$ 1.71429 per U.S. dollar, effective February 10, 1965.

On the proposal of the Government of Yugoslavia, in which the Fund concurred, the par value of the Yugoslav dinar was changed from Din 300 to Din 1,250 per U.S. dollar, effective July 26, 1965. Subsequently, the Government of Yugoslavia notified the Fund that, effective January 1, 1966, a new monetary unit would be introduced to become the legal unit of currency, and proposed a par value for the new dinar, equivalent to 100 former dinars. The Fund concurred in this proposal for a par value for the new dinar at the rate of Din 12.50 per U.S. dollar. The Government of Ghana notified the Fund that, effective July 19, 1965, it proposed to introduce a new monetary unit to be called

the "cedi", which would replace the Ghana pound as the legal unit of currency. The Fund concurred in the proposal for a par value for the cedi at the rate of ¢ 0.857143 per U.S. dollar. The Fund concurred in a proposal by the Government of the Philippines for a change in the par value of the Philippine peso from ₱ 2.00 to ₱ 3.90 per U.S. dollar, effective November 8, 1965. The Fund also concurred, on December 23, 1965, in the par values proposed by the United Kingdom in connection with the introduction of new monetary units for the following non-metropolitan territories in respect of which it has accepted the Fund Agreement: Antiqua, Barbados, Dominica, Montserrat, St. Christopher-Nevis-Anguilla, St. Lucia, and St. Vincent--1.71429 East Caribbean dollars per U.S. dollar; British Guiana--1.71429 Guyana dollars per U.S. dollar; The Federation of South Arabia--0.357143 South Arabian dinar per U.S. dollar; and Bahrain--0.476190 Bahrain dinar per U.S. dollar.

10. Gold Subsidies

The gold subsidy programs of the Governments of Canada and the Philippines, discussed in previous Reports, have continued in operation during the past year.

Australia consulted the Fund concerning a modification of its system of gold subsidies, which was due to expire on June 30, 1965. Under new assistance arrangements introduced by the Australian Government, the development allowance scheme was not renewed and future assistance to the industry will be provided by continuing the subsidy scheme in a liberalized form. The liberalizations were designed to absorb to some extent the development allowance scheme into the subsidy scheme and to take into account the deterioration in the industry's general financial position since the Government last reviewed the question of assistance three years earlier. The principal modifications in the new legislation are that the maximum rate of subsidy for large producers is increased for £A 3-5-0 to £A 4-0-0 per ounce, and that the flat rate subsidy for small producers is increased from £A 2-8-0 to £A 3-0-0 per ounce, with an appropriate consequential adjustment in the provision relating to the rate of subsidy payable to producers with an output of more than 500 ounces a year who elect to be treated as small producers. The period of the new legislation is for five years from July 1, 1965, with the understanding that the subsidy formula will not be further liberalized during that period.

South Africa also consulted the Fund with regard to the extension for a period of one year from June 30, 1965 of its existing governmental assistance to marginal gold mines.

The Fund deemed the proposed assistance by Australia and the extension of the South African arrangements to be consistent with the objective of the Fund's statement on gold subsidies on December 11, 1947.

11. Relations with Other International Organizations

In addition to its liaison with the International Bank for Reconstruction and Development (IBRD), with which it has a special relationship, the Fund continued to maintain close relations with organizations in related fields, in particular, the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for

Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), and the Inter-American Development Bank (IDB). These organizations were represented at the joint Annual Meetings of the Fund and the IBRD, and Fund representatives attended meetings of those organizations and continued direct working relationships with their staffs.

The Managing Director addressed the 38th Session of the UN Economic and Social Council (ECOSOC) at which the Annual Report of the Fund was presented. He also attended the meetings commemorating the 20th anniversary of the United Nations in San Francisco and meetings of the UN Administrative Committee on Coordination in New York, the Annual General Meeting of the Bank for International Settlements in Basle, the Ministerial Meeting of the OECD in Paris, and delivered two lectures at the Latin American Center for Monetary Studies (CEMLA) in Mexico City. In January 1965, he visited Montreal to address the Canadian Council of the International Chamber of Commerce. The Deputy Managing Director attended meetings of the UN Administrative Committee on Coordination in Geneva and Vienna.

Fund representatives attended the 20th Session of the UN General Assembly, the 38th and 39th Sessions of the Economic and Social Council, the 14th Session of the Governing Council of the Special Fund, and sessions of the Economic Commissions for Africa (ECA), Asia and the Far East (ECAFE), Europe (ECE), and Latin America (ECLA). The Fund was also represented at the 13th Session of the Food and Agriculture Organization Conference in Rome. Fund staff attended meetings of the Trade and Development Board, the Committee on Invisibles and Financing related to Trade, and other bodies meeting under the aegis of the United Nations Conference on Trade and Development (UNCTAD). Observers from the Fund assisted the expert group which met in New York in October 1965 to consider international monetary issues and the developing countries in accordance with Annex A.IV 19 of the Final Act of the 1964 Conference. A staff member attended the UN Inter-Regional Seminar on Planning the External Sector, held in Ankara. In the field of taxation, a Fund staff member participated in a seminar on "Current Problems and Training Needs in Tax Administration", held by the Economic Commission for Africa in Addis Ababa. In the area of commodities, Fund staff attended meetings of the International Tin Conference and the Working Party on Prices and Quotas of the UN Cocoa Conference in New York, and the International Cotton Advisory Committee and the International Rubber Study Group Management Committee in Washington, D.C.

The Fund and the Bank (IBRD) have, during the year, been seeking to increase the extent of their cooperation. In one area, that relating to coordination of aid, representatives of the Fund participated in a general meeting held under the auspices of the Bank during the Annual Meetings of the Boards of Governors in September and in meetings of consultative groups which have been convened to consider aid coordination for individual countries.

As regards the Organization for Economic Cooperation and Development (OECD), Fund representatives continued to attend the meetings of the Economic Policy Committee and that Committee's Working Party 3, which is primarily concerned with policies for the promotion of improved international payments equilibrium. They also attended meetings of the Development Assistance Committee and participated in the study of the improvement of capital markets carried out by the Committee for Invisible Transactions of the OECD.

In Latin America, Fund representatives attended the 6th Annual Meeting of the Board of Governors of the Inter-American Development Bank in Asuncion, Paraguay. A Fund representative also attended the 1st Regional Meeting of Latin America Bankers at Mar del Plata, Argentina. As in 1964, Fund staff, at the invitation of the Chairman of the Organization of American States' Inter-American Committee on the Alliance for Progress (CIAP), participated informally in a advisory capacity in a series of meetings, held in Washington, dealing with country reviews and attended periodically informal interagency meetings arranged by the CIAP Secretariat to discuss procedures for the country reviews and other matters of mutual interest.

During 1965, Fund representatives continued to attend meetings of various organs of the CONTRACTING PARTIES to the GATT in Geneva. The CONTRACTING PARTIES consulted the Fund in connection with their consideration of import restrictions and import surcharges maintained by individual countries for balance of payments reasons. The Fund provided material to the CONTRACTING PARTIES in connection with these consultations with the various governments concerned, and Fund representatives cooperated with the Committees conducting the GATT consultations. A new development has been Fund collaboration, including the provision of certain material, in connection with the GATT examination of the development plans of individual countries.

The procedures for the Fund's cooperation with the UNCTAD, the CONTRACTING PARTIES to the GATT, and other organizations based in Geneva were strengthened in October 1965 when a senior officer took up his duties as resident Fund representative in Geneva.

12. Cooperation With Members, Including Technical Assistance

The Fund's cooperation with members has been maintained in connection with its continuing consultations and discussions with members and in response to requests by member governments in special and technical fields. The areas in which the Fund has co-operated with its members include exchange systems, stabilization programs, budgetary problems, banking reforms and the establishment of central banks, and tax administration and fiscal matters. Technical assistance in the field of central banking was provided at the request of a country which has applied for membership in the Fund.

The Fiscal Affairs Department responded to 13 requests from 9 countries in Africa, Asia, the Middle East, and Latin America for technical assistance in the fields of taxation and budgeting. Of these requests, 6 were long-term assignments. The Department filled 3 of the long-term assignments from its panel of fiscal experts; the remainder of the assignments were met from its own staff.

Requests for central banking technical assistance continued to increase, and the Central Banking Service was able to provide 18 experts to 14 countries during the period under review. In addition to the requests for experts to fill positions in the countries, the Central Banking Service also received requests for advice on legislation (both central banking and general banking), bank reorganization, reform of the banking system, training of personnel for banks, and monetary cooperation between governments. These requests were handled by regular staff members. In the course of meeting these requests, staff members went on 13 advisory missions to 10 countries and prepared 9 legislative texts.

During the period under review, members of the staff visited

93 countries for purposes of consultations, technical assistance, or for the informal exchange of views and information. Periods of assignment ranged from a few days to a year or longer. In 13 of these countries, staff members were made available on long-term assignments.

13. Training Program

During its second year of existance, the IMF Institute, which was established in May 1964 to centralize and expand the Fund's training activities, developed its programs considerably, and laid the basis for a further expansion of its courses during 1966, in order to meet increasing requirements from member countries.

In 1965 the Institute organized two courses on Financial Analysis and Policy: the first one, which began on March 15 for a 20-week period, was conducted in English and was attended by 20 officials from Central Banks and Finance Ministries of member countries. In the second course, which had a ten-week duration beginning on October 15, training was given in French to eighteen participants, coming especially from French-speaking African countries. These courses drew extensively on the experience gained by the Fund in its contacts with member countries. During September and October 1965, the Institute also held a six-week course in English on Balance of Payments Methodology.

At the beginning of 1966, the IMF Institute organized a special six-week course in English for senior officials from member countries who had recently joined the Fund. Twelve different countries were represented at this course. During the first quarter of 1966, the Institute provided its first course in French on Balance of Payments Methodology, and this course was attended by 19 participants. The first course in Spanish on Balance of Payments Methodology will be held during May-June in San Salvador, and is being organized by the Institute at the reqeust of the Central American Monetary Council. On March 14, 1966, the regular twenty-week course in English on Financial Analysis and Policy, which is attended by 29 participants from 28 different countries, began, and a course, which will be similar but for a somewhat shorter duration, will be held in French over the period September 6 - December 21, 1966.

14. PUBLICATIONS OF THE FUND IN 1965

Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1965 (French, German, and Spanish translations of parts of Report are available).

Sixteenth Annual Report on Exchange Restrictions 1965

Summary Proceedings of the Annual Meeting 1965

Selected Decisions of the Executive Directors and Selected Documents, 3rd Issue

By-Laws Rules and Regulations, 25th Issue

Schedule of Par Values, 40th Issue

The International Monetary Fund and International Law: An Introduction

The Financial Structure of the Fund (English, French, and Spanish)

Maintenance of the Gold Value of the Fund's Assets

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TABLE I

PURCHASES OF CURRENCIES FROM THE FUND, 1 JANUARY - 31 DECEMBER 1965

(Equivalents in Millions of U.S. Dollars)

| Member | Australian Pounds | Belgian Francs | Canadian Dollars | Danish Kroner | Deutsche Mark | French Francs | Italian Lire | Japanese Yen | Mexican Pesos | Netherlands Guilders | Spanish Pesetas | Swedish Kroner | Pounds Sterling | U.S. Dollars | Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Afghanistan | | | | | 0.56 | | | | | | | | | 1.13 | 1.[illegible] |
| Brazil | | | 25.00 | | 25.00 | 10.00 | | | 5.00 | 5.00 | 5.00 | | | | 75.00 |
| Burundi | | 2.00 | | | | | | | | | | | | | 2.[illegible] |
| Ceylon | | | 8.00 | | 5.00 | | 5.00 | 5.00 | | | | | | | 23.00 |
| Chile | | 6.00 | | | | | 9.00 | | 4.50 | 6.00 | 4.50 | | | 6.00 | 36.00 |
| Costa Rica | | | | | | | | | | | | | | 10.00 | 10.00 |
| Dominican Rep. | | | | | | | | | | | | | | 5.00 | 5.00 |
| Ecuador | | | | | | | | | | | | | | 11.00 | 11.00 |
| Guatemala | | | | | | | | | | | | | | 5.00 | 5.00 |
| Haiti | | | | | | | | | | | | | | 2.50 | 2.50 |
| India | 25.00 | | 37.50 | | 35.00 | 35.00 | 37.50 | 25.00 | | | | | | 5.00 | 200.00 |
| Liberia | | | | | | | | | | | | | | 3.00 | 3.00 |
| Mali | | | | | | 4.95 | | | | | | | | | 4.95 |
| New Zealand | 10.00 | | 10.00 | | 10.00 | 10.00 | | | | | | | 12.00 | 10.00 | 62.00 |
| Pakistan | | 5.00 | 7.50 | | 5.00 | 7.50 | 7.50 | | | 5.00 | | | 16.00 | | 53.50 |
| Panama | | | | | | | | | | | | | | 2.69 | 2.69 |
| Somalia | | | | | | | 3.60 | | | | | | 1.00 | 1.00 | 5.60 |
| Sudan | | | | | | | 18.75 | | | | | | | | 18.75 |
| Tunisia | | | | | | 11.80 | | | | | | | | | 11.80 |
| U.A.R. | | | | | | 5.00 | 5.00 | | | | | 5.00 | | | 15.00 |
| United Kingdom | | 82.50 | 107.50 | 30.00 | 312.50 | 242.50 | 182.50 | 77.50 | | 87.50 | 40.00 | 37.50 | | 200.00 | 1,400.00 |
| United States | | 40.00 | 85.00 | | 25.00 | 40.00 | 205.00 | | | 25.00 | | 15.00 | | | 435.00 |
| Yugoslavia | | | 10.00 | | | 10.00 | | | | | | 10.00 | | 20.00 | 50.00 |
| Total Purchases* | 35.00 | 135.50 | 299.50 | 30.00 | 418.06 | 376.75 | 473.85 | 107.50 | 9.50 | 128.50 | 49.50 | 67.50 | 29.00 | 282.31 | 2,433.48 |

*Totals may not equal sums of items because of rounding.

TABLE II

Stand-by Arrangements in Force - January 1, 1965 - December 31, 1965
(Millions of U.S. dollars)

| Member | Date of Arrangement | Date of Expiration | Amount | Amount Purchased under Stand-by January 1, 1965-December 31, 1965 | Total Amount Purchased under Stand-by | Amount Available Dec. 31, 1965 |
|---|---|---|---|---|---|---|
| ghanistan | June 17, 1965 | June 16, 1966 | 6.75 | 1.69 | 1.69 | 5.06 |
| livia | Sept. 1, 1964 | Aug. 31, 1965 | 12.00 | - | - | - |
| | Sept. 1, 1965 | Aug. 31, 1966 | 14.00 | - | - | 14.00 |
| azil | Jan. 13, 1965 | Jan. 12, 1966 | 125.00 | 75.00 | 75.00 | 50.00 |
| rundi | Jan. 26, 1965 | Jan. 25, 1966 | 4.00 | 2.00 | 2.00 | 4.00 1/ |
| ylon | June 15, 1965 | June 14, 1966 | 30.00 | 15.00 | 15.00 | 15.00 |
| ile | Feb. 14, 1964 | Feb. 13, 1965 2/ | 25.00 | - | 20.00 | - |
| | Jan. 6, 1965 | Jan. 5, 1966 | 36.00 | 36.00 | 36.00 | - |
| lombia | Feb. 14, 1964 | Feb. 13, 1965 | 10.00 | - | 7.50 | - |
| sta Rica | Feb. 1, 1965 | Jan. 31, 1966 | 10.00 | 10.00 | 10.00 | - |
| minican Rep. | Aug. 1, 1964 | July 31, 1965 | 25.00 | 5.00 | 20.00 | - |
| uador | July 1, 1964 | June 30, 1965 | 13.00 | 3.00 | 3.00 | - |
| | July 1, 1965 | June 30, 1966 | 12.00 | 8.00 | 8.00 | 4.00 |
| Salvador | Oct. 15, 1965 | Oct. 14, 1966 | 20.00 | - | - | 20.00 |
| iti | Oct. 1, 1964 | Sept 30, 1965 | 4.00 | .75 | 2.25 | - |
| | Oct. 1, 1965 | Sept 30, 1966 | 4.00 | 1.75 | 1.75 | 2.25 |
| nduras | Aug. 5, 1964 | Aug. 4, 1965 | 7.50 | - | 2.50 | - |
| dia | Mar. 22, 1965 | Mar. 21, 1966 | 200.00 | 200.00 | 200.00 | - |
| pan | Mar. 11, 1964 | Mar. 10, 1965 | 305.00 | - | - | - |
| rea | Mar. 22, 1965 | Mar. 21, 1966 | 9.30 | - | - | 9.30 |
| beria | June 1, 1964 | May 31, 1965 | 4.40 | - | 3.30 | - |
| | June 1, 1965 | May 31, 1966 | 4.00 | 3.00 | 3.00 | 1.00 |
| li | July 1, 1964 | June 30, 1965 | 9.90 | 4.95 | 9.90 | - |
| rocco | Sept 23, 1965 | Sept 22, 1966 | 45.00 | - | - | 45.00 |
| caragua | Apr. 1, 1964 | Mar. 31, 1965 | 11.25 | - | 11.25 | - |
| kistan | Mar. 16, 1965 | Mar. 15, 1966 | 37.50 | 37.50 | 37.50 | - |
| nama | July 26, 1965 | July 25, 1966 | 7.00 | - | - | 7.00 |
| raguay | Nov. 23, 1964 | Nov. 22, 1965 | 5.00 | - | - | - |
| ru | Mar. 1, 1964 | Feb. 28, 1965 | 30.00 | - | - | - |
| | Apr. 8, 1965 | Apr. 7, 1966 | 30.00 | - | - | 30.00 |
| ilippines | Apr. 12, 1964 | Apr. 11, 1965 | 40.40 | - | - | - |
| | Apr. 12, 1965 | Apr. 11, 1966 | 40.40 | - | - | 40.40 |
| malia | May 1, 1964 | Apr. 30, 1965 3/ | 4.70 | - | 4.70 | - |
| | Jan. 19, 1965 | Jan. 18, 1966 | 5.60 | 5.60 | 5.60 | - |
| nisia | Oct. 1, 1964 | Sept 30, 1965 | 14.25 | 9.00 | 14.25 | - |
| | Nov. 12, 1965 | Nov. 11, 1966 | 5.60 | 2.80 | 2.80 | 2.80 |
| rkey | Feb. 1, 1965 | Dec. 31, 1965 | 21.50 | - | - | - |
| A.R. | May 23, 1964 | May 22, 1965 | 40.00 | 15.00 | 40.00 | - |
| ited ingdom | Aug. 8, 1964 | Aug. 7, 1965 | 1,000.00 | - | 1,000.00 | - |
| ited States | July 22, 1964 | July 21, 1965 | 500.00 | 75.00 | 350.00 | - |
| goslavia | July 26, 1965 | July 25, 1966 | 80.00 | 50.00 | 50.00 | 30.00 |
| | | | | 561.04 | | 279.81 |

1/ Augmented by repurchase of $2.00 million.

2/ Cancelled by Chile on Jan. 5, 1965.

3/ Cancelled by Somalia on Jan. 18, 1965.

TABLE III

REPURCHASES OF CURRENCY FROM THE FUND, 1 JANUARY - 31 DECEMBER 1965

(Equivalents in Millions of U.S. Dollars)

| Member | Austrian Schillings | Belgian Francs | Canadian Dollars | Deutsche Mark | French Francs | Italian Lire | Japanese Yen | Netherlands Guilders | Swedish Kronor | Pounds Sterling | Gold |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | | | 15.00 | 20.00 | | 3.00 | 6.00 | | | | |
| Bolivia | | | 0.63 | | 0.01 | | | | | | 0.37 |
| Brazil | | | 24.00 | 17.00 | | 4.00 | 10.00 | | | | |
| Burundi | | | | | | 2.00 | | | | | |
| Ceylon | | | 3.75 | 3.75 | | | | | | | |
| Chile | | | 10.50 | 17.21 | | 6.00 | 3.00 | 0.29 | | | |
| Colombia | | | 10.00 | 4.00 | | 4.00 | 4.00 | 2.00 | | | |
| Costa Rica | | | | 1.66 | | | | | | | |
| Ecuador | | | 1.00 | | | | 1.00 | | | | |
| Ghana | | | 5.60 | | | | | | | | |
| Haiti | | | 1.00 | | | | 1.25 | | | | |
| Honduras | | | 2.50 | | | | | | | | 0.01 |
| India | | | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | | | | |
| Iran | | | | 1.24 | | | | | | | 2.22 |
| Ireland | | | | | | | | | | -0.02[a] | |
| Jamaica | | | 0.01 | | | | | | | -0.01[a] | |
| Jordan | | | | 0.01 | 0.01 | | | | | | 0.01 |
| Malaysia | | | | 0.01 | 0.01 | | | | | 0.97 | [illegible] |
| Morocco | 0.01 | 0.11 | 0.01 | 0.80 | 1.53 | 0.03 | | 0.09 | 0.01 | | 3.34 |
| Nicaragua | | | | | | | | | | | 0.01 |
| Paraguay | | | 0.11 | 0.25 | | | 0.13 | | | | |
| Philippines | | | 7.00 | 3.50 | | | 3.50 | | | | |
| Somalia | | | | | | | | | | | 0.02 |
| Syria | | | 2.00 | 5.00 | | | | | | | |
| Turkey | 0.06 | 0.15 | | 8.45 | 0.01 | | | 0.33 | 0.01 | 0.01 | 6.01 |
| U. A. R. | | | 9.00 | 9.00 | | 4.50 | 6.00 | | | | |
| Yugoslavia | | | | 15.00 | | | | | | | |
| Total * | 0.06 | 0.25 | 107.10 | 121.86 | 16.53 | 38.53 | 49.88 | 2.71 | 0.01 | 0.94 | 12.15 |

* Totals may not equal sums of items because of rounding.

a/ Refund to member in respect of excess repurchase made on provisional basis in previous year.

## TABLE IV

Charges on transactions effected after May 1, 1963 are:

Charges in Per Cent per Annum 1/ for period stated and for portion of Holdings in excess of Quota by (per cent)

| More than .......... | 0 | 50 | 100 |
|---|---|---|---|
| But not more than .. | 50 | 100 | |
| Service Charge ..... | .5 | .5 | .5 |
| 0 to 3 months .... | 0.0 | 0.0 | 0.0 |
| 3 to 6 months .... | 2.0 | 2.0 | 2.0 |
| ½ to 1 year ...... | 2.0 | 2.0 | 2.5 |
| 1 to 1½ years ..... | 2.5 | 3.0 | 3.5 |
| 1½ to 2 years ..... | 2.5 | 3.0 | 3.5 |
| 2 to 2½ years ..... | 3.0 | 3.5 | 4.0* |
| 2½ to 3 years ..... | 3.5 | 4.0* | 4.5 |
| 3 to 3½ years ..... | 4.0* | 4.5 | 5.0 |
| 3½ to 4 years ..... | 4.5 | 5.0 | |
| 4 to 4½ years ..... | 5.0 | | |

Average Effective Rates 2/ in per Cent per Annum for portion of Holdings in excess of Quota by (per cent)

| More than .......... | 0 | 50 | 100 |
|---|---|---|---|
| But not more than .. | 50 | 100 | |
| 3 months ......... | 2.00 | 2.00 | 2.00 |
| 6 months ......... | 2.00 | 2.00 | 2.00 |
| 1 year ........... | 2.00 | 2.00 | 2.25 |
| 1½ years .......... | 2.00 | 2.17 | 2.50 |
| 2 years .......... | 2.12 | 2.38 | 2.75 |
| 2½ years .......... | 2.30 | 2.60 | 3.00 |
| 3 years .......... | 2.50 | 2.83 | 3.25 |
| 3½ years .......... | 2.71 | 3.07 | 3.50 |
| 4 years .......... | 2.94 | 3.31 | |
| 4½ years .......... | 3.17 | | |

1/ Except for service charge which is payable once per transaction and stated as per cent of amount of transaction.

2/ Total charges payable by the member over the stated period, expressed as a per cent and divided by the number of years of the period. Includes service charge.

* Point at which the Fund and the member consult.

## THE WORLD BANK GROUP

International Bank for Reconstruction and Development
International Development Association
International Finance Corporation

The Annual Report of the Bank and IDA which was presented to the Annual Meeting of the Board of Governors in September 1965 emphasized the economic and financial environment in which the World Bank Group operates. It noted that the developing countries, exclusive of mainland China, had a population of about 1.5 billion and a total annual national product of $200 billion (an average of $133 per capita). As a result of rapid population growth the developing countries generally were unable to increase their per capita product faster than about 2% per year. The Report noted that the net flow of external finance from developed to developing countries had grown little during the 1960's and that the external debt of developing countries was assuming serious proportions. It stated that according to a preliminary enquiry by the Bank staff the developing countries could effectively use, on the average over the next five years, some $3-4 billion more of external capital per year, to a large extent on concessionary terms such as are provided by IDA. At present, official bilateral and multilateral flows of external finance from developed countries to developing countries amount to about $6 billion (net of repayments of principal).

In 1965 disbursements (drawdowns) on outstanding IBRD/IDA loans and credits to developing member countries amounted to about $755 million on a gross basis and about $575 million net of repayments of principal. About $277 million (net) was accounted for by IDA credits. Disbursements on Bank loans to developed member countries (i.e. Part I members of IDA) amounted to $126 million (gross); repayments of principal by these countries amounted to $134 million.

In 1965, new loans, credits and investments by the World Bank Group to all members aggregated $1,386 million, a new record and a gain of $215 million over 1964. New loans by the Bank totalled $1.167 million, the highest level reported for any one year, and an increase of $439 million over 1964. New investments by IFC totalled about $22 million in 1965, compared to $25 million in 1964. IDA reported a sharp decline in new credits with a total of $196 million, compared to $425 million in the previous year. At December 31, 1965 IDA had committed all but $484 million of its available funds.

While the great preponderance of the Group's financing continued to be in for power and transportation there was greater emphasis in 1965 on education, agriculture and industry.

### Policy and Other Developments in 1965

In 1965 the IBRD began to charge higher interest rates on loans to certain "market eligible" countries defined as those who are able to borrow the larger part of their funds for development in international capital markets but from time to time seek supplementary help from the Bank. These higher interest rates ranged up to 6-1/2 per cent (compared with the standard rate in 1965 of 5-1/2 per cent) and applied to loans totalling $287 million to Italy, New Zealand and Japan.

The World Bank granted $75 million to IDA from its fiscal 1964 earnings. Including a grant of $50 million in 1964, total Bank grants to IDA now stand at $125 million. The Bank decided to lend up to $400 million to the IFC thus greatly increasing the ability of

...

that institution to invest in private enterprise in developing countries. IFC during the year became responsible, for the World Bank Group, for the technical and financial appraisal, preparation and supervision of industrial and mining projects.

During the year the Bank's Executive Directors submitted to the member countries the text of a "Convention" for establishment of a center for conciliation and arbitration of disputes between foreign investors and governments. The Convention becomes effective when signed and ratified by 20 governments.

The Bank established two offices in Africa: one at Abidjan, Ivory Coast, to serve Western Africa; the other at Nairobi, Kenya, to serve Eastern Africa. The missions will assist member countries in these areas to identify and prepare projects for presentation to the Bank and IDA.

In 1965 the Bank organized consultative groups of countries and international agencies to coordinate financial and technical aid to Malaysia and Thailand. This brings to six the number of such groups sponsored by the Bank, the others being related to Colombia, Nigeria, Sudan and Tunisia. The Consortium on Aid to India pledged an additional $1,027 million for the fifth and final year of India's Third Five-Year Plan. The aggregate pledged for this plan was $5,472 million equivalent, with Bank/IDA's share totaling $1,185 million. Canada is a Member of the Consortia on India and Pakistan and the consultative groups on Nigeria, Colombia, Tunisia, Malaysia and Thailand.

Bank Studies

A. Coffee Study: The Bank joined the International Coffee Organization and the Food and Agricultural Organization of the United Nations, in organizing a study to examine the needs of coffee-producing countries to diversity into other production lines.

B. UNCTAD Studies: Two studies were completed that were initiated at the request of the United Nations Conference on Trade and Development in 1964. One covered the proposal by Governor Horowitz of the Bank of Israel, which envisions borrowings by an international agency at market rates, with the proceeds to be re-lent at low interest and for a long term to the developing countries. The difference between the cost of funds and the return on them would be subsidized by the "industrialized countries." The second covered a proposal made by the U.K. and Sweden at UNCTAD, which would provide for a system of supplementary financing through an international agency, to assist those developing countries, whose development is endangered by long-term and unpredictable fluctuations in commodity prices. Both of these reports have been submitted to the U.N. The Bank's staff is continuing to study the implications for development of the use of suppliers' credits; and the possibilities of establishing a system of multilateral investment insurance.

C. Project and Sector Studies: Project feasibility and sector studies undertaken or continued through 1965 include: Afghanistan, river basin development; Brazil, transport development; Chile, highway development; India, transport development; Iran, port administration; Jamaica, an expressway for Kingston; Korea, transport development; Malaysia, land development; Niger, road maintenance program; Pakistan, feasibility and costs of the proposed Tarbela Dam on the Indus and water and power resources of West Pakistan.

...

D. Studies for U.N. Special Fund: The Bank acted as executing agent for the Special Fund in connection with feasibility studies for irrigation and power development projects in the Dominican Republic; highway development in Nigeria and Somalia; transport in Cameroon and the Central African Republic; and highways and ports in Nicaragua.

E. General Survey Mission: The report of a mission, organized by the Bank, which undertook a comprehensive survey of the economy of Morocco, was completed and submitted to the Moroccan Government in 1965. This was the 25th General Survey Mission sponsored by the World Bank.

## Publications

Annexed to this report is a selected list of publications of the World Bank Group during 1965.

There follows separate descriptions of the activities of the Bank, IDA and IFC during 1965.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

### Source of Funds

The Bank grants loans at conventional rates of interest for periods of up to 35 years. It obtains its funds for lending operations from (a) the capital subscriptions of its members, on which it pays no interest, (b) the sale of its own bonds and notes, (c) the sale of a portion of its loan portfolio, and (d) its net income.

a) Capital Subscriptions

The Bank's authorized capital is $24,000 million, of which $21,606 million had been subscribed by December 31, 1965. Only 10 per cent of subscriptions is paid in. The remaining 90 per cent is subject to call should the Bank ever need additional funds to meet its obligations. The uncalled portion is in the nature of a guarantee against which the Bank is able to borrow funds.

By December 13, 1965, the Bank had been able to use or allocate for lending the equivalent of approximately $1,779 million from paid-in capital. Of Canada's total subscription of $750 million, $7.5 million has been paid in U.S. dollars, and the equivalent of $67.5 million in Canadian dollars. Canada has given the Bank permission to use this amount freely in its operations.

b) Sale of Bonds and Notes

Unlike the year 1964 when there were no public offerings, the year 1965 was marked by an intensive marketing campaign that included public offerings of the Bank's bonds in four markets. These offerings, aggregating the equivalent of nearly $300 million, brought public issues of the Bank for the first time in three years to the United States market; in nearly 10 years to the Canadian market; in about six years to the German market; and in over three years to the market in Switzerland. The Canadian issue was $25 million 5-1/4 per cent Twenty-Five Year Canadian Dollar Bonds. It was offered in February 1965 at 99-1/2 per cent to yield about 5.28 per cent.* By private placement the Bank disposed of a

* In February 1966 the Bank placed another issue in Canada of $20 million 5-3/4 per cent Twenty-Five Year Canadian Dollar Bonds. It was offered at 97 per cent to yield about 5.98 per cent.

further $235.5 million equivalent of bond and note issues (compared with $200 million in 1964). This included nearly $157 million of bonds and notes denominated in U.S. dollars and DM 315 million ($78.7 million equivalent) of Deutsche Mark notes. All of these placements replaced maturing issues held by central banks and other governmental institutions outside the United States.

(c) Sales of Loans from the Bank's Portfolio

Sales of principal amounts of outstanding loans from the Bank's portfolio were $96 million (compared with $110 million in 1964). This brought the aggregate of such sales to $1,940 million.

(d) Net Income and Reserves

The net earnings of the Bank in 1965 amounted to $142 compared with $118 million in 1964. Reserves on December 31, 1965 totalled $957 million compared with $894 million a year earlier.

Lending Operations in 1965

In 1965 the Bank made 44 loans in 27 countries totalling $1,167,200,000. The following table summarizes lending in calendar 1965 and 1964 by areas and amounts.

| Area | 1965 No. Loans | 1965 Amount | 1964 No. Loans | 1964 Amount |
|---|---|---|---|---|
| Africa | 7 | $ 116.8 | 10 | $ 207.3 |
| Asia & Middle East | 16 | 442.3 | 11 | 221.2 |
| Australasia | 2 | 62.5 | 1 | 32.5 |
| Europe | 4 | 169.0 | 3 | 163.5 |
| Western Hemisphere | 15 | 376.6 | 6 | 103.3 |
| Totals | 44 | $ 1,167.2 | 31 | $ 727.8 |

The year's lending brought the aggregate of loans by the Bank, since the start of operations in 1946, to nearly $9.5 billion.

The purposes of World Bank lending in calendar 1965 were as follows:

| | Amount (Expressed in Millions of U.S. dollars) | | | |
|---|---|---|---|---|
| Purpose | 1965 | % of Total | 1964 | % of Total |
| Transportation | 423.7 | 36.3 | 355.6 | 48.8 |
| Electric Power | 344.4 | 29.5 | 238.5 | 32.8 |
| Industry | 224.0 | 19.2 | 68.0 | 9.4 |
| Telecommunications | 41.8 | 3.6 | - | - |
| Agriculture | 123.7 | 10.6 | 39.5 | 5.4 |
| Water Supply | 6.8 | 0.6 | 20.2 | 2.8 |
| Education | 2.8 | 0.2 | 6.0 | 0.8 |
| Total | $1,167.2 | 100.0% | 727.8 | 100.0% |

Comment on Lending in 1965:

By Areas

With new loans of $442 million, Asia was the Bank's largest regional borrower in the year, as it has been for nine of the last 11 years. New lending in the Western Hemisphere tripled in 1965,

totaling $377 million, compared to $103 million in 1964. In Mexico alone, the Bank lent $167 million, including a loan of $110 million for power development that was the largest single loan made in the period. Lending in Africa declined 40% below volume reported in 1964; and loans of $169 million in Europe showed little change from the 1964 level. New Zealand borrowed $62.5 million from the Bank in the year, to finance electric power and railway projects.

By Purposes

Financing of transport and power development accounted for nearly two-thirds of the year's lending; a pattern that has dominated the loan operations of the Bank since it first started lending for economic development 18 years ago. Loans for industry were up sharply in the year to $224 million. Of the six loans in the category, one for $100 million went to finance industrial development in Southern Italy, bringing to nearly $200 million the amount lent by the Bank over the years for such development in Italy. The remaining five loans for industry went to development finance companies in Finland, India, Iran, Israel and Pakistan. With the exception of the concern in Israel, the Bank had lent to all of these institutions previously; and the new loans from the World Bank reflected the growth of these institutions, designed to serve developing industry, and their need for additional foreign exchange to support this growth. Follow-through loans were also made for power projects in India, Mexico and Thailand, for highways in Iran, Japan, Liberia and Mexico, and for agriculture in Peru and Uruguay.

Eleven of the year's loans, aggregating $250 million, were to finance highways in eight countries. Included are two loans to Japan, one for $25 million to finance an expressway through Kobe, and another for $75 million to finance part of the 335-mile toll express highway from Tokyo to Kobe, bringing the total to $280 million the Bank has lent for that project. A further $32 million was lent in Iran for a long range highway program designed to provide a 5,000 mile network of modern main highways; total Bank loans for this program amount to about $122 million. The Bank also lent $8.5 million in Iran to finance 1,125 miles of feeder roads designed to service rural areas where the bulk of the population lives. Other transport lending is financing railway development in China, New Zealand and the Sudan; ports in Spain and Paraguay; and rail and port development in East Africa - Kenya, Uganda and Tanzania.

The Bank made ten loans totaling $344.4 million for power in the year, and included in the projects financed is installation of 2 million kilowatts of capacity, plus thousands of miles of transmission and distribution lines and installation of other equipment. Largest financing in this category was in Mexico where the Bank lent $110 million to cover part of the costs of a two-year development program estimated to cost some $300 million. In all, the Bank has lent $365 million for power development in Mexico over a 15-year period, during which power capacity has increased from 1.2 million kilowatts to 4.6 million kilowatts. Two loans amounting to $84 million went to India for power development, of which $70 million will help finance installation of 8,000 miles of transmission lines and 300 substations necessary as a step toward integration of the country's power supplies.

Reflecting the Bank's policy of seeking means of assisting farmers, is the composition of loans to agriculture in 1965. With the exception of a loan for irrigation in Malaysia, all loans in this category are related to the supply of credits to farmers. Four loans totaling $55 million went to agricultural credit institutions in the Philippines, Mexico, Peru and Morocco. In Peru the Bank lent $15 million to the Banco de Fomento Agropecuario, continuing its relationship with the institution that goes back to 1954. The Banco has contributed materially to the rise in agricultural

production for domestic and foreign consumption by making over 14,000 medium and long-term loans to farmers. Another loan of $11 million is helping to provide similar credits to Peruvian farmers developing and settling 44,000 acres of once arid land. The World Bank had lent $18 million for an earlier stage of this project. In Uruguay a loan of $12.5 million is assisting the second stage of a livestock program by providing a part of the funds for pastoral improvement of about 650,000 acres. These funds will be made available on a loan basis. An earlier World Bank loan helped to start this project.

A loan of $2,750,000 in Chile was the Bank's first to assist an adult vocational training program. The program will provide accelerated training for industrial workers in a variety of essential skills; and some 14,000 additional workers a year will be able to take advantage of the training program.

WORLD BANK LENDING - Calendar Year 1965

| Area and Country | Purpose | Amount |
|---|---|---|
| AFRICA | | |
| Ethiopia | Telecommunications | $ 4,800,000 |
| Kenya, Tanzania & Uganda East African Common Services Authority | Transport | 38,000,000 |
| Liberia (Supplemental Loan) | Roads | 1,000,000 |
| Morocco | Agriculture | 10,000,000 |
| Nigeria | Apapa Road | 17,500,000 |
| Nigeria | Western Roads | 14,500,000 |
| Sudan | Railways | 31,000,000 |
| | | 116,800,000 |
| ASIA | | |
| China | Railways | 20,000,000 |
| India | ICICI-Private Industry | 50,000,000 |
| India | Power transmission | 70,000,000 |
| India | Kothaguden Power | 14,000,000 |
| Iran | Main highways | 32,000,000 |
| Iran | Feeder Roads | 8,500,000 |
| Iran | IMDBI-Industry | 10,000,000 |
| Israel | IDBI-Industry | 20,000,000 |
| Japan | Electric power | 25,000,000 |
| Japan | Tokyo-Kobe Expressway | 75,000,000 |
| Japan | Kobe Expressway | 25,000,000 |
| Malaysia | Singapore water supply | 6,800,000 |
| Malaysia | Agriculture | 45,000,000 |
| Pakistan | PICIC-Industry | 30,000,000 |
| Philippines | Agriculture | 5,000,000 |
| Thailand | Electric power | 6,000,000 |
| | | $442,300,000 |
| AUSTRALASIA | | |
| New Zealand | Electric power | 20,500,000 |
| New Zealand | Railways | 42,000,000 |
| | | $ 62,500,000 |
| EUROPE | | |
| Finland | Industry | 14,000,000 |
| Italy | Industry | 100,000,000 |
| Portugal | Electric power | 15,000,000 |
| Spain | Ports | 40,000,000 |
| | | $169,000,000 |
| WESTERN HEMISPHERE | | |
| Brazil | Electric power | 57,000,000 |
| Brazil | Electric power | 22,500,000 |
| Chile | Electric power | 4,400,000 |
| Chile | Adult Vocational Training | 2,750,000 |
| Honduras | Highway | 6,000,000 |
| Jamaica | Roads | 5,500,000 |
| Mexico | Toll roads | 32,000,000 |
| Mexico | Agriculture | 25,000,000 |
| Mexico | Electric power | 110,000,000 |
| Paraguay | River port | 2,750,000 |
| Peru | Irrigation | 11,000,000 |
| Peru | Roads | 33,000,000 |
| Peru | Agriculture | 15,000,000 |
| Uruguay | Livestock production | 12,700,000 |
| Venezuela | Telecommunications | 37,000,000 |
| | | $376,600,000 |
| Total lending in calendar 1965 | | $1,167,200,000 |

## INTERNATIONAL DEVELOPMENT ASSOCIATION

IDA credits are interest-free and repayable over 50 years; no principal repayments are made for the first ten years. These credits therefore do not add significantly to the growing debt servicing burdens of developing countries.

IDA's usable resources come mainly from subscriptions and contributions from the 17 developed (Part I) member countries who, since IDA began operations over five years ago, have committed themselves to make about $1.5 billion available.

IDA's Usable Resources, December 31, 1965
$ million

| | |
|---|---|
| Regular subscriptions and contributions from members | $1,525.4 |
| Four supplemental special contributions from Sweden | 18.1 |
| Total from members | $1,543.5 |
| Grants from Bank | 125.0 |
| Earnings of IDA | 7.8 |
| Total resources available | $1,676.3 |
| less: credits extended (79 credits in 30 countries) | $1,192.3 |
| Available for new credits | $ 484.0 |

At their Annual Meeting in September 1965 the Boards of Governors requested the Board of Directors to consider the prospective financial requirements of IDA and to formulate at the earliest possible date specific proposals for replenishing IDA's resources. The Canadian Governor assured the Annual Meeting that Canada would play its full part in any such replenishment.

### Operations in 1965

IDA extended 9 credits in 8 countries totalling $196 million, including IDA's first credits to Morocco, Nigeria and Somalia. With five credits totalling $55.7 million, Africa received the largest number in the year; but, in amount, Asia with $127 million got the largest share.

Credits in Africa included $31 million for education and $24.7 million for roads. Nigeria received $20 million for secondary, teacher training and trade schools; and Morocco $11 million for 21 schools offering general and specialized courses on the secondary level. The road credits are financing tea roads in Kenya, main roads in Northern Nigeria and an all-weather road to serve an agricultural area in Somalia. The Somalia credit was part of a broader financing covering both project and technical assistance requirements. Over $13 million was involved: A development grant of $4,850,000 and $300,000 for technical assistance grant from the European Development Fund; a $2,095,000 technical assistance grant from the United Nations Special Fund; and the IDA credit of $6,200,000. The financial package covers the all-weather road, establishment of a highway organization and a long-range study of Somalia's transport needs.

In India, IDA made a $100 million credit available to finance imports of equipment and components for firms in the automotive, electrical, industrial machinery and construction industries.

Including a credit of June 1964, IDA has provided $190 million for existing industries in India. This is in line with the Bank/IDA view that frequently it is more efficient to finance expansion and modernization of sound existing enterprises than it is to establish new ones. The $10 million credit in Europe was for the Industrial Development Bank in Turkey, to which IDA had made two credits available previously, the World Bank had lent nearly $18 million, and the International Finance Company had invested in its shares. The new IDA credit, as has previous credits and World Bank loans, will enable the Development Bank to continue lending for projects requiring imports from abroad. The Industrial Development Bank in 14 years of operations had, by December 1964, made some $65 million in long-term loans; $8.5 million in equity participations and over $6 million in short-term credits available to Turkish industry.

In Pakistan, IDA made a credit of $27 million available to the Agricultural Development Bank. The funds will be employed by the Development Bank for medium and long-term loans to farmers for installation of tubewells and farm machinery. Tubewell irrigation and farm mechanization have materially increased agricultural production which has made a major contribution to Pakistan's current five-year plan.

IDA CREDITS - Calendar Year 1965

| Area and Country | Purpose | Amount |
|---|---|---|
| AFRICA | | |
| Kenya | Roads | $ 3,000,000 |
| Morocco | Education | 11,000,000 |
| Nigeria | Education | 20,000,000 |
| Nigeria | Roads | 15,500,000 |
| Somalia | Road project | 6,200,000 |
| | | 55,700,000 |
| ASIA | | |
| India | Industrial imports | $100,000,000 |
| Pakistan | Agricultural Credit | 27,000,000 |
| | | $127,000,000 |
| EUROPE | | |
| Turkey | Industry | $ 10,000,000 |
| WESTERN HEMISPHERE | | |
| Honduras | Road project | $ 3,500,000 |
| Total IDA credits in calendar 1965 | | $196,200,000 |

## INTERNATIONAL FINANCE CORPORATION

IFC provides equity and loan capital for private projects in its developing member countries without government guarantee. It derives its resources from the paid-in capital subscriptions of its member countries ($99 million) from its net earnings and recently from funds lent to it by the Bank. These loans from the Bank (up to $400 million) will enable IFC to take part in financing not only a larger number of projects but larger projects as well.

### Operations in 1965

Operations during the calendar year brought the total amount of commitments made to date by IFC to $150 million at December 31, 1965. New commitments in the amount of approximately $22.3 million were undertaken, involving 15 enterprises in 13 countries.

Commitments were made for the first time in Ecuador, the Ivory Coast, Liberia and Uganda, increasing the total of countries in which IFC has made investments so far to 34. The following table summarizes IFC investments, by geographical area, in the calendar years 1964 and 1965:

| | 1964 | | 1965 | |
|---|---|---|---|---|
| | | (US$ millions) | | |
| Area | No. of Investments | Amount | No. of Investments | Amount |
| Africa | 4 | $5.89 | 4 | $ 5.87 |
| Asia & Middle East | 2 | 1.88 | 3 | 5.23 |
| Europe | 3 | 2.02 | 2 | 1.52 |
| Western Hemisphere | 10 | 15.87 | 6 | 9.71 |
| Total | 19 | $25.66 | 15 | $ 22.33 |

The major part of IFC financing during the year was provided for industries such as steel, textiles, jute products, pulp and paper, paper products, construction materials and pharmaceuticals. In addition, IFC expanded its investments in privately owned development finance companies. Falling outside this pattern was an investment made by IFC in Colombia in a service industry, represented by a company expanding in the field of warehousing and planning to construct grain storage facilities.

Equity investment continued to be a feature of IFC financing. Six of IFC's commitments took the form of subscriptions to share capital; they included two cases, both involving companies in Chile, in which IFC acquired shares in enterprises to which it had previously made loans. IFC provided a combination of loan and share capital in making five other commitments. These involved textile companies in Ecuador and Uganda, a manufacturer of packages and containers in Pakistan, a pharmaceuticals company in Finland and a producer of special steels in Brazil. In Pakistan, IFC made a loan to a company formed to establish a jute mill; under the investment agreement, IFC received an option to convert part of the loan into shares of the company. IFC undertook two new commitments in enterprises in which it has outstanding investments: in Costa Rica, the Corporation underwrote an issue of dollar notes and shares made by a concrete products manufacturer, while in India the Corporation made a loan as part of supplemental financing for a company producing ball bearings. The IFC investment in Colombia (referred to above) was unusual in that it was also the first occasion on which the Corporation has made a loan without taking some form of equity interest as well.

IFC investments during the year in three privately owned development finance companies brought the total number of institutions

in which the Corporation now has a share interest to 16 in 14 countries. In the Ivory Coast and Liberia, IFC took part, along with local and foreign investors, in financing the establishment of new institutions. In Greece, IFC agreed to join with existing shareholders in subscribing to an increase in the share capital of an institution already in operation. Through these investments, as well as through standby and underwriting commitments and other operations, IFC assisted, both directly and indirectly, in the development of local capital markets. IFC investments helped to supplement and make effective local financing for a number of the projects in which the Corporation invested, on several occasions in partnership with local development financing institutions. In the two projects in Pakistan which IFC helped to finance during the year, the Corporation acted with a development finance company in which it is a shareholder, their joint financing being accompanied in both cases by public share offerings to local investors. In its investment in Ecuador, IFC financing helped to supplement financing obtained for the most part locally, including funds raised through the underwriting by a local institution of a bond issue by the company in question, the first underwriting to be attempted in Ecuador.

IFC was active in providing a broad range of technical assistance in connection with development finance companies, in terms of helping to establish new institutions and to reorganize existing ones, locating management, providing training for staff and other activities. IFC's new responsibility within the World Bank Group for industrial projects was reflected in the technical assistance it provided in connection with specific projects as well as in connection with other activities, among them a special study relating to the expansion of the steel industry in a Latin American country.

Private investors in the developed countries were substantial purchasers of IFC investments during the course of the year. Sales of portions of IFC investments, whether made at the time of initial commitment or subsequently from portfolio, raised the total the Corporation sold or agreed to sell to approximately $31.9 million at the year end, compared with $25.5 million at the end of 1964. IFC sold to other investors parts of investments it has made in Chile, Colombia, Costa Rica, Ecuador, Finland, Greece, Mexico, Pakistan, Spain, Uganda and Venezuela. Sales were made to institutions based in a number of countries, including the United States, United Kingdom, Belgium, Germany Luxembourg, Sweden, Switzerland and Kuwait.

During the calendar year 1965, net income of IFC, after deducting operating expenses, increased to an estimated $3.48 million from $3.0 million in 1964. These earnings, as in previous years, were credited to a reserve against losses. Total resources available to the Corporation increased to approximately $181.8 million at the year end from $166.8 million the previous year. There was a further decline in uncommitted funds, which stood at approximately $43.4 million compared with $50.6 million at the end of December, 1964.

ANNEX

# 1965 Selected Publications of the World Bank Group

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|---|---|
| January | Economic Growth and External Debt, by Dragoslav Avramovic and Associates. Published for the Bank by The Johns Hopkins Press, Baltimore. $6.00. |
| February | The Horowitz Proposal. A Staff Report. (Prepared at the request of the United Nations Conference on Trade and Development.) |
| March | Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Submitted to Governments by the Executive Directors of the IBRD March 18, 1965. Bound with Accompanying Report of the Executive Directors. English, French or Spanish. Official text without Accompanying Report of the Executive Directors bound in a single copy in English, French and Spanish, all three texts being equally authentic. |
| | The Program to recruit University Graduates for the World Bank. Revised. English, French, and Spanish. |
| July | Uses of Consultants by the World Bank and its Borrowers. English and Spanish. French in preparation. |
| September | 1964-65 Annual Report of IBRD/IDA. Includes section, "Trends and Outlook for Development Finance." English, French, German and Spanish. |
| | 1964-65 Annual Report of IFC. English, French, German and Spanish. |
| | World Bank and IDA. What they are.. What they do.. How they work. Revised. English, French and Spanish. |
| | World Bank and IDA. Loans at Work. (13th edition.) French, German and Spanish in preparation. |
| | 1965-66 Economic Development Institute. Booklet. English, French and Spanish. |
| | The future of the World Bank. An Essay by Escott Reid. |
| October | 1965 Free Publications of the IBRD, IFC, IDA. Revised list. |
| November | Summary Proceedings. 1965 Annual Meetings of the Boards of Governors. IBRD, IFC, IDA. Washington, D.C., September 27-October 1, 1965. November 30, 1965. French and Spanish in preparation. |
| December | Development Planning. Lessons of Experience. By Albert Waterston. Published for the Economic Development Institute of the Bank by The Johns Hopkins Press, Baltimore. $10.75. |
| | Supplementary Financial Measures. A Study Requested by the United Nations Conference on Trade and Development - 1964. French and Spanish in preparation. |

## Printed Speeches

George D. Woods, March 11, 1965, Washington, D.C.: Economic Development: A Moving Target.

Geoffrey M. Wilson, March 11, 1965, Montreal: Education and the World Bank.

George D. Woods, March 26, 1965, to the Economic and Social Council of the United Nations. French and Spanish also.

Escott Reid, June 1, 1965, Toronto: Dialogue on Development: Role of the World Bank.

George D. Woods, July 22, 1965, Paris, to the Ministerial Meeting, Development Assistance Committee, Organization for Economic Cooperation and Development.

George D. Woods, September 27 and October 1, 1965, Washington, to the Boards of Governors and Concluding Remarks. French and Spanish also.

George D. Woods, November 29, 1965, London: The Importance of an Old British Habit.

## Reprints of Articles

Afrique, Paris, January 1965: "Capitaux au service du developpement de l'Afrique: la B.I.R.D."

Commerce, Chicago, March 1965: "Developing Private Enterprise Internationally - The story of IFC operations in 30 countries," by William L. Bennett.

International Development Review, Washington, March 1965: "The Role of Private Institutions in Development Financing," by William Diamond, IFC

The Price Waterhouse Review, Autumn 1965: "Portrait of a Client".

London Times, September 16, 1965: "Poor Nations Need More Aid," by George D. Woods.

World Agriculture, Washington and Paris, October 1965: "Agriculture and the World Bank," by L.C.J. Evans.

Canadian Business, Montreal, November 1965: "Banker to the World," by Morton M. Mendels.

Executive, Don Mills, Ontario, Canada, November 1965: "World Bank: Funds for emerging Nations," by Allan Fenton.

International Development Review, Washington, December 1965: What Do We Know About Planning?" by Albert Waterston.

## Joint Publications with International Monetary Fund

Fund and Bank Review: Finance and Development. Quarterly. March, June, September, December 1965 issues. English, French and Spanish.

Direction of Trade. 12 monthly issues and one annual issue. Subscription U.S. $10.00.

These publications, which are free unless otherwise noted, can be obtained by writing to: IBRD, 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. A full list of World Bank Publications and press releases is also available.